THE CHINA WEEKLY REVIEW

密勒氏評論報

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July 3, 1948

THE LAND QUESTION

AN EDITORIAL

Third Force In America

Robert Shaplen

Burma Road Today

Walter Briggs

American Aid Program

C. Y. W. Meng

DR. WONG'S CABINET

Charles J. Canning

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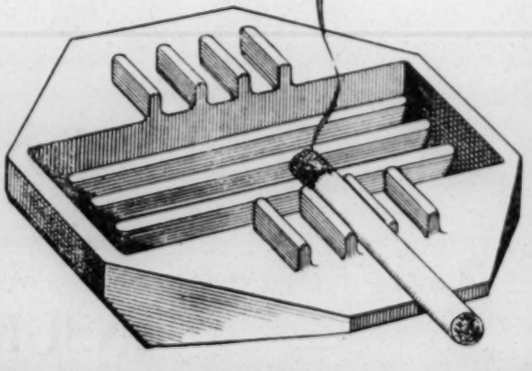

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LETTERS From The People

Comments from readers on current topics are cordially invited: their opinions, however, do not necessarily represent the views of The China Weekly Review.

Opium Case

To The Editor:

Let me describe the opium case that happened in Hsuan Wei Hsien, in the eastern part of Yunnan Province, at the end of the poppy harvest a few days ago.

Mr. Lee Shih-hou is the magistrate of that hsien and Governor Lu looks upon him as a smart man. There are many big-shots there, the most famous of whom are the Liu brothers. The elder, Liu Jui-feng, is vice-chairman of the District Council of Hsuan Wei, and the younger, Liu Chia-wei, is a member of the Provincial Council of Yunnan. Since Mr. Lee assumed office, he has worked well with them.

Last year, when the poppy planting season came, it was reported that Mr. Lee encouraged the people to plant poppies. Although it may not have been true, Mr. Lee did not deny it. It was nearly harvest time when the Government sent troops to destroy the crops. That aroused a rebellion, but fortunately it was suppressed quickly.

In May, Governor Lu came to report to a meeting of the Provincial Council. Mr. Liu Chia-wei prosecuted Mr. Lee's criminals. About two weeks later, Mr. Lee led his bodyguards and police to these two brothers' houses and ordered them to make a thorough search. They found 12 pistols and guns with thousands of cartridges and some hundreds of taels of opium and a bag of poppy seeds. Then Mr. Lee arrested Mr. Liu Jui-feng, and ordered the arrest of Mr. Liu Chia-wei, who was in Kunming. On hearing this, the Provincial Council objected, because Mr. Liu Chia-wei is under the protection of the Council's rules.

A few days later, Mr. Lee reported to the Government and announced to the people that these two brothers are opium smugglers and that they sold ammunition to bandits and poppy seeds to the people. Mr. Lee also revealed that at the poppy planting season Mr. Liu Jui-feng had come three times to see him in an attempt to get some compromise about poppy planting, and each time he had refused.

Now, everyone knows the death punishment for planting poppies. How could Mr. Liu dare to say such lawless words to the magistrate? We wonder why Mr. Lee did not arrest him at once. Obviously, it was because Mr. Liu Chia-wei had prosecuted him as a corrupt official that he harbored enmity and acted as he did.

We hope Governor Lu can discover their guilt and condemn them to death. To kill two birds with one stone will be good, for they are corrupt officials and local bad gentry.

C. L. P.

Kunming
June 12, 1948

Kidnapping

To The Editor:

The other day I heard that an old man, the father of my former English teacher, Mr. D., had been killed by bandits. Mr. D.'s home is in Ts'ing Shu P'ing, a small town in Hunan not far from Seung Shiang. Mr. D. has property enough to support his whole

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family, with a little remaining each year. These past two years, he has taught in the Shaoyang district, leaving his old father at home.

About a week ago, Mr. D.'s father suddenly was taken away in the night by some robbers who left a note demanding a large sum of money. Mr. D. borrowed money from his friends, took leave from school, and hurried back with $1,900,000,000, the sum demanded.

But after the money was sent to the robbers, Mr. D. received the dead body of his father, whose head had been cut open and his whole body scorched. Besides, a guiltless *pao ch'ang* who was asked to send the money was also killed.

We form a government to protect ourselves, as do people in other countries, but now we are leading a dog's life. What will our future be?

WU CHUNG-SAN.

Shaoyang, Hunan
June 10, 1948

Press Freedom

To The Editor:

On May 29, a tea was given by the People's Council to hear Governor Wang's report on the military situation in Shantung Province. At about two o'clock in the afternoon, two or three reporters appeared to attend the meeting. However, they were refused admittance by the Council's official with the words, "Chairman's command is that reporters are forbidden!"

The official was Pi Ming Yu, chairman of the People's Council. The reporters came away quite furious over this restriction. At 3:00 p.m. a press conference was held by the Information Department of the 2nd Pacification Area. More than 20 reporters attended, including this correspondent. At the end of the conference, it was decided to see Pi.

When we arrived at the Council the tea was still being held. After about five minutes, Pi came downstairs to meet the reporters and he was asked to explain his "command." Some of the men asked whether he was a representative of public opinion or the mouthpiece of the Yamen. After some silence, he bowed and said that he was sorry he couldn't allow us to attend the tea but there were no seats and, besides, it was a secret meeting. However, he said that he would send the information to us provided the authorities consented.

This further enraged the pressmen and one said to him, "You have committed a serious mistake. You are ignorant of freedom of the press. The press represents public opinion and it is not the instrument of the Government as are your actions today. We strongly oppose the People's Council 'monopoly' on information unless you change the word 'People' to 'Bureaucrat.'"

Although Pi tried to prevent us, we pressmen finally went upstairs to attend the meeting. At its conclusion, Mr. Ho, the head of the Pressman's Union, protested Pi's action and called for the unity of the councillors with the reporters as both are representatives of public opinion.

The following day all the papers except the government organ and the KMT organ—*Shantung Sin Pao* and *Ta Hwa Jih Pao*—played this incident up in their headlines and editorials, and special articles bitterly criticized it.

This incident brings to the fore the need for the members of the press themselves to fight for freedom to carry out their duties. We know that freedom of the press and of gathering news will not come to us without a struggle. Then, there is no denying the fact that some of us have shortcomings. Some of us, because of our own unfortunate backgrounds, have not always acted properly and have given the authorities and the

people the opportunity of looking down upon all of us.

It is well known that we are all poorly paid. But the greatest difficulty is that pressmen find it impossible to become unified and thus are unable to act as one when circumstances deem it necessary, such as when we receive contemptuous treatment from officials.

There are many small groups with different backgrounds and viewpoints. A number of them constantly think about "face" and "prestige." In view of their present conditions here it is high time that they begin to struggle for their own freedom. Experience tells us that unless man is strong he can never weather a storm. It is no easy task to gain this freedom. Successive efforts and unbroken spirit are required before attaining such an aim.

JOSEPH I. C. LUAN.

Tsinan, Shantung
June 15, 1948

American Voice

To The Editor:

Your editorial "Spring Fever Hits Congress" (June 19), while perfectly understandable to an American, was out of place in China. I am sure that its only effect was to add to the confusion in Chinese minds about life in the United States.

I am a regular reader and, often, admirer of the *Review* but I do think that it does not do its duty as an American publication. While it generally follows a good liberal political and economic line, which in America would be considered perhaps no further "left" than "middle-of-the-road," it appears very radical in its present setting.

For example, you apparently would never think of printing many things which the *New Republic* or *Nation* or *PM* publish constantly. However, you must realize that things abroad, even Americans, are not the same as they are at home. Thus, you have gotten a reputation for being a radical. I know one or two prominent personages in the local American business community who almost turn purple at the mention of your magazine. Once or twice I have tried to discuss some question raised in the *Review* with such people and have found them unwilling to talk intelligently, being only content with denouncing the magazine. If these men were in America they might take an entirely different attitude toward the *Review*.

This brings me to the point of my letter. I do think that some of your fellow-American critics, who regard you as a traitor, have a small point on their side. In America you represent only yourself and your readers know that. However, in China, whether you like it or not, you ARE a representative of America. You just simply are not an individual crying against the things and people you consider evil, you are an American voice.

Both you and Mr. Randall Gould should remember this and, although I am not presupposing to tell you how to run your business, I might suggest that you keep this fact in mind. While your crusades are usually against the things you don't like about America, or perhaps American policy, Mr. Gould's crusades are of a different nature. He supports American policy, but he frequently blasts some extremely trivial annoyance which confuses Chinese readers. As an American I recognize Mr. Gould as a personal, small town journalist, but many Chinese get the impression that Americans are very funny people because they get so worked up over things which never upset the Chinese.

BUSINESSMAN.

Shanghai
June 23, 1948.

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Political Ignorance

To The Editor:

The President and the Vice-President took office yesterday. Because poverty, starvation, misery and fluctuating currencies overshadow the country today, it seems that the man in the street is casting his eye on commodity prices rather than political events. To illustrate this, I shall cite an example which is a fact and not an exaggeration.

Yesterday being a National holiday, I was standing at my doorway when I met a workman who inquired why I was not at school. I explained to him that today was a holiday in celebration of the inauguration of our new President. He seemed puzzled for a moment and then said, "But didn't we always have a President? Who then is the new President?" I told him that Generalissimo Chiang was elected President and General Li, Vice-President.

This conversation made me wonder how so significant a day in Chinese history could mean nothing at all to the countless farmers and workers who are absolutely ignorant of the political affairs of the country. In my opinion, only with the setting up of a sound educational system can we hope for a prosperous China.

C. L. GILBERT.

Foochow, Fukien,
May 21, 1948.

China To Awake

To The Editor:

One day I paid a visit to one of my friends. The subject of our conversation was the unhappy condition of present-day China. After much discussion, we agreed that our country must be revolutionized again, although it will bring us terrible pains and losses.

In the past, we expected that the Government would actively perform its duty and finish the people's revolution. Now we are blocked in our expectations from the Government, but not from the people. Dr. Sun Yat-sen said in his will: ". . . to attain this object (securing freedom and equality for China), we must awake the masses of our own people and unite ourselves in a common struggle with those peoples of the world who treat us on the basis of equality . . ." We thought that these words showed the best possible way of realizing our expectation.

China used to be asleep, but now she is destined to awake and to influence men's future very deeply.

LEE CHANG SU.

Wukang, Hunan,
May 31, 1948.

Student Subsidies

To The Editor:

Although the Government subsidy at our university is so small that it cannot support us, the authorities have now divided it into two parts. The second part is called the "month end number" and is equal to one-third of the amount for the whole month. However, it is not distributed until the end of the next month. By that time, the prices of commodities have soared so high that it is good for nothing at all. Sometimes it is even delayed for several months.

Another thing we cannot understand is the kerosene fee that the government gives us, as we do not have electric lamps in our university. Do you know how much money that is? Only $3,000 for a half year. It can buy nothing at all in Kweilin today.

How can we live under this kind of government subsidy?

SHIH DEH CHEN.

Kweilin
June 12, 1948.

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Ways And Means

To The Editor:

Since the end of World War II, the world has obviously been splitting into two groups: The US and the USSR. The United Nations has been unable to perform its functions because of the differences and suspicions between the Big Two. With the wild and abusive propaganda and the unlimited increase of armaments, there seems to be no hope of ending the cold war, which is ever getting warmer.

But the news of the exchange of notes between the US and USSR came to us like lightening out of the dark sky, brightening the hope of peace. It was a great stimulation to peace loving people who know that, in the atomic age, war means the complete collapse and annihilation of civilization. Why should we prefer to run the risk of war to composing our differences wisely?

The difficulty is in devising ways and means. As I see it, the following preliminary steps should be taken immediately:

(1) Set up a truce in the present abusive propaganda and mutual recrimination, because this makes the situation worse and leads to more misunderstanding.

(2) Give up the thought of power politics. Any attempt to interfere in another country's internal affairs and to extend political or economic control should be labelled imperialistic.

(3) Stop Communist penetration, for that disseminates confusion and unrest all over the world.

(4) Strengthen the United Nations by upholding the sanctity of its charter and regarding it as the supreme world government to arbitrate all international controversies.

If these proposals could be put into practice, and the great powers could sacrifice their own interests for the common cause, I think today's major international problems could be settled reasonably.

CHANG CHIN-JAN

Canton
June 9, 1948.

Not The Men

To The Editor:

Your editorial, Dr. Wong's Program, in the June 19 issue of the *Review*, seemed to me to hit a point which most people overlook in their discussions on China and Chinese problems. It is not the men, but the system which needs changing.

With the exception of a few first rate scoundrels, who always turn up in all countries, most of the top men in the Chinese Government are fair men. As you pointed out, Dr. Wong should make a good premier, as should his predecessors, General Chang Chun and Dr. T. V. Soong. However, they all worked in a difficult position, fighting against a system which is ruining China.

The system, the social order, and many other things have to be changed. If the present Government is not able to wake up and change them soon, the Communists will do the changing, and in a manner many of us will not enjoy.

A. W. L.

Shanghai
June 22, 1948

Letter To Dr. Stuart

To The Editor:

The following is addressed to Dr. J. Leighton Stuart, care of the *China Weekly Review*:

My dear Ambassador,

It is indeed a very regrettable thing that from the various unfavorable reactions to and strong protests against your recent pronouncement is seen a sharp

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decline in the welcome reverence and warm friendship the Chinese have so far accorded you.

I for one think it beneath your dignity for you to have spoken or written in such strong and oppressive terms. Of course, I believe you do not think of yourself as a "Hurleyish" diplomat from a big, rich, powerful country to a big, but poor and weak one. The essential mistakes on your part may be that you have thought of yourself less as an ambassador than as a veteran educator and one of China's great friends, who can talk more freely and more frankly. But, frankly speaking, you can't serve two masters at the same time by being both a well-qualified diplomat and a good-willed inspirational teacher, either mentally or spiritually, can you?

It seems that, in your capacity as an ambassador, the closer you have kept to the Chinese bureaucratic officialdom and the deeper you sink into the sea of politics, the farther away you have gone from the hearts of the Chinese people.

As you very well know, we Chinese do love peace and love to live in peace with our neighbors, but Japan before her surrender had ever been a covetous neighbor hard to please. We don't bear any ancient grudge, but are quite ready to collaborate with Japan if only she is ideologically liberated and liberalized and becomes really democratized. As is pointed out by the American-owned English weekly here, your government doesn't seem to have any definite Japan policy at all, but is muddling through the occupation work in the Land of the Rising Sun.

How could you, then, justify your present measures dealing with Japan and assure us of the impossibility of Japan's revival to her old menacing power, especially upon her former victim? Shall we let a wolfish cur without a leash steal in on the heels of a friend who has crossed the doorstep of our house? Does a true friend want his host to be killed by his pet wild beast through his wilful neglect? Besides, a furious cur, if unchained and spoiled too much, might jump up one day and murder its own master. We are quite aware of this, and so we are now making all sorts of protests against your views and actions toward Japan simply for the welfare and interests of both your nation and our nation. Be on your own guard, too, lest you should have another Pearl Harbor after the Chinese have fallen a prey to the Japanese militarism with the undissolved Zaibatsu behind it. Let not Japan be the Germany after World War I, for whom not only France has paid so dearly.

China is no more the China of 10 years ago, that is, before and at the beginning of the War of Resistance. Nor is she the country of 20 or 30 years ago, that is, before and shortly after the KMT's ascent to power. Our people have suffered and learned so much that they now are highly sensitive to realities and far more discerning of true and false friendship. Too many beautiful words have been ringing in their ears, but too little satisfaction has filled their hearts. They now want to see what is being done, rather than what is to be done.

So far as I can see, you have been a good friend of the Old China but now seem quite a stranger to the New China. If you wish to re-appreciate or re-estimate the Chinese people, you have to watch closely their social and mental development since VJ Day. Should you think of laying any blame on Chinese youth, especially the students, for their blindness and quick temper, have you ever noticed the same change of attitude toward the U.S. that has come over the teachers and professors and most of the enlightened intellectuals and businessmen of the older gen-

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eration and the lao pai hsing in general? Communism hasn't swept over even one percent of the country, regardless of what the ruling class and most foreigners hysterically think, and red baiting, moreover, doesn't help us over the present crisis or remove the root of all evils. The only solution to the prevailing mess is non-intervention from the outside and fair play at home, the latter of which you Westerners know better than we Chinese.

As regards the charge Mr. Cabot made against the Chinese intellectuals over their blindness to or silence over the Soviet infringements on Dairen and the railway administration, I ask who it was, after all, that preferred an appeasement policy toward Uncle Joe concerning world affairs, including China's rights, prior to the victory of the Allies? Russia's aggressive and excessive demands may be excusable for the time being in view of her frank assertion of that war-devastated state's own security, and her really good will in withdrawing her troops from Manchuria and her very recent suggestion for both America and Russia to wash their hands of China's internal affairs.

We Chinese shall be sure to condemn severely, and violently protest to Russia if she doesn't return to China what she has taken as soon as she is free from fears of imperialist-capitalist aggression. So it is a bit too early to ascertain whether Russia is a red imperialist nation before world peace is established and world security is obtained. While the Chinese feel great disgust over the "Gold Dollar" State's unfriendly attitude toward them, they would be equally repelled by the White Polar Bear's interference or aggression, if any. The Chinese won't be so silly as to jump out of a scorching fire only to be drowned in deep water.

A word for the college and middle school students. The generation-old spirit of the May 4th Movement has developed into a splendidly mature one, thanks to the perversive and deteriorating social conditions and the high hand holding the big stick of government.

Now that boys from your own college have risen against you, and students of St. John's, a university financed by American funds, have spoken ill of you, they have done so simply because they are sorely disappointed at your defending—not to say your advocating—the none too pleasant and wise policy of America about world affairs, and since you are the ambassador here, the complaints and protests naturally fall on you and on nobody else. The students have ever been the most realistic pioneers of China's politics and the most genuine spokesmen of China through all her afflictions and crises. There seems to be a lot more for you to learn of the New China from the words and actions of the students, with the exception of the professional ones from political parties. And I think you shouldn't be satisfied with trying to make Chinese students speak in America's favor at the expense of their own national interests as well as their freedom of speech and freedoms from fear and want. You wouldn't want to train your college boys and girls at home to be pawns and even traitors, would you?

The most important thing I wish to point out is that the anti-American feeling does not mean the same thing at all as ingratitude to your good will and affection, and the aid so far rendered us by the United States and her people except that appropriated to the Civil War. What we are dead against is your State Department's policy and those diehards and warmongers of your country.

Let me conclude this letter with some verses by Herrick:

"You say towards me your affection's

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strong;

Pray love me little, so you love me long."

Yours very humbly,

C. P. L.

Shanghai,
June 14, 1948.

No, No

To The Editor:

The recent student movement, if it was so "anti-American" as most American-run papers said, can be easily interpreted by your own editorials.

The movement is self-evident and quite understandable. But many Americans did not receive it with the proper attitude. We Chinese common people, free from any political preference, cannot understand why US Ambassador Dr. Leighton Stuart wanted to interfere with Chinese students' activities within their own country and why he further threatened them with "results." Isn't Dr. Stuart a democratic scholar and longtime friend of the Chinese people? Doesn't he know how the Chinese people suffered from an imperialistic Japan?

But now, the Japs are rising. The American Government, instead of converting Japan into a democratic country, has done everything possible to keep Japanese feudalistic institutions under a democratic screen woven by General MacArthur.

For the past half century, we Chinese have suffered miserably from Japanese warlords and profiteers. After eight long years of resistance, we won a bitter victory. We have learned to keep an eye on how the world is going outside. China is no longer a sleepy lion. According to the Four Freedoms advocated by the late far-sighted President Roosevelt, we have every reason to keep an imperialistic Japan from resurging. We want a Japan truly devoted to the principles of democracy, not a country pseudo-democratic and still capable of aggression, whether it be economic or military.

While the Chinese Government is rather slow in expressing its opinion, Chinese students, foreseeing the danger —the same danger that had come before —have shouted at the top of their voices to point out the critical situation. But they are branded as Communist-inspired. Is this fair? Why do Americans shout every day, "Get tough with Russia"? Aren't they afraid of something that will "endanger" their lives? Why shouldn't we?

But there is no danger approaching the United States. There is only the danger that, owing to mistaken policy, the Chinese people will once again be thrown into an abyss of misfortune. So far as we know, American policies are determined by the spokesmen of Wall Street, not by rank and file American citizens. We protest against these profiteers. It is they who are responsible for such a terrible Japan policy. What would the White House have us do in such a deplorable plight? Shall we bow before MacArthur's throne so as to get American-made munitions to kill our own people? No, no, sir!

C.T.T.

Nanking,
June 10, 1948.

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To The Editor:

The movement against America's aid to Japan is obviously not limited to the Communists and their tails or fronts,

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who might have been the real instigators. The fact that any instigation could have reached such magnitude, however, should be interpreted as a sign that America's policy of reviving Japan, even if only as an economic power, is detrimental to China.

In Hongkong, the anti-American-aid-to-Japan movement has among its leaders some who were notorious collaborators during the Japanese occupation. The Mikado's co-prosperity days thus have left a bad memory even among those who amassed huge fortunes under Kempeitai protection.

A National Government supported by the United States which is reviving Japan is having a hard time appeasing its citizens. American policy in China is tending to intensify inter-clique warfare within the Kuomintang.

Governor T. V. Soong's actions in hiring Japanese advisers and selling Hainan iron mines and scrap iron to the Japanese have antagonized many Kuomintang leaders hitherto known as pro-American.

The Chinese Maritime Customs in Hongkong, a very fine institution but unfortunately regarded as T. V. Soong's private treasury, has frequently been picked as a scapegoat. In a recent case of seizure and confiscation of 145 taels of gold by Chinese Maritime Customs officers in a Kowloon-Canton train, certain old Kuomintang guards were understood to be commanding the help of some Britishers and Americans formerly employed by the Kuomintang, in defense of the gold owners.

It is apparent that the division between rich and poor Kuomintang members is so sharp that mere promulgation of laws and regulations will not ameliorate the situation.

Unfortunately, the rich Kuomintang members are regarded as those who have deposited their ill-gotten wealth in American banks and who are now supporting unconditionally American policy, including Washington's aid to Japan.

SAMUEL J. YOUNG.

Hongkong
June 12, 1948.

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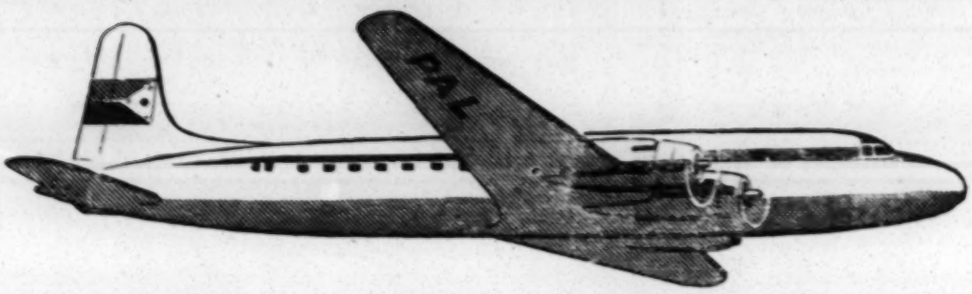

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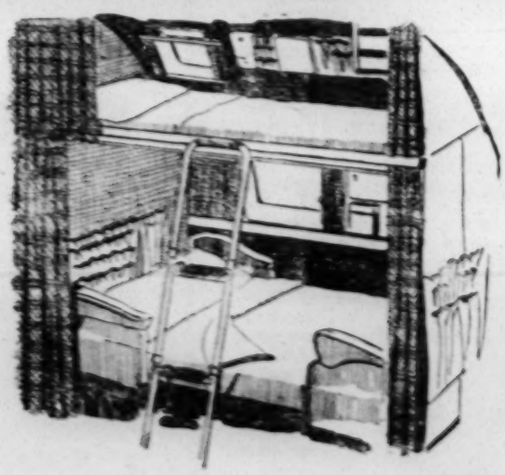

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The Land Question

OUR American contemporary, the *Shanghai Evening Post* recently touched on a very old and absorbing subject: Land Reform. Mr. Randall Gould's editorial brought up some interesting points which give rise to considerable speculation.

Perhaps the most pertinent part of the editorial, aside from a general discussion of the recognized need for land reform, was Mr. Gould's caution about accepting figures for tenancy, which are tossed about with considerable abandon whenever the subject comes up. We are agreed that figures, even those compiled by Dr. J. Lossing Buck, probably the leading foreign expert on Chinese rural problems, are subject to some scepticism. Dr. Buck's study is slightly out of date while some of the other studies have not been as well conducted.

As Mr. Gould pointed out, most surveys cover extremely small areas of China. This is a necessity since figures which in other countries would be readily available, having been collected yearly by the appropriate public officials, are nonexistent in China and must be compiled by the survey teams themselves. This naturally limits their sphere of activity to one or two villages a year and thus makes it impossible for reliable nation-wide figures to be gathered. What's more, it makes it impossible for the student of Chinese affairs *actually to know* what the situation is throughout China.

However, from the studies that are available we can *assume* that the tenancy question, which is only one facet of a very big problem, is exceedingly bad. Further, we can probably assume safely that there is in China today a tendency toward increased ownership of land by landlords, with a resultant increase in the number and percentage of tenants. At least each succeeding competent land survey we have seen indicates this. Also, there is the added complexity of native and foreign industry which often adds to the speed of tenancy and to the misery of the average farm family.

* * *

THE basic problem, however, is not tenancy, or as it is popularly called, "land-lordism." This is merely one of the symptoms of the disease. The disease is the archaic social system prevailing in the Chinese countryside. Tenancy, which is a direct result of the social system and which in many instances is intensified by the breakdown of the old feudal setup, cannot be eradicated by simple redivision of the land. If the "system" which allows unjust and unequal taxation, rank exploition of the "have-nots" by the "haves," usury, bad government and all the rest of the rottenness, is not changed a new crop of landlords and tenants will soon arise.

Fei Hsiao-tung, well-known Chinese sociologist, in "Peasant Life In China" puts his finger on many of the chronic rural problems. This book should be recommended reading for anyone interested in the conditions of the Chinese countryside. Mr. Fei and his colleagues surveyed three villages in remote Yunnan Province, where the problems and conditions are somewhat different from other areas.

Presumably, years ago life was maintained on a pretty even keel, with a few rich families in each community, a large number of middle and lower middle class families, a substantial number of tenant farmers who constituted the class known as "landless peasants," and then below them were the hired hands, or day laborers who owned only the clothes on their backs. As long as the old feudal system was sound in so far as the government had adequate strength and all classes of people accepted the existing order of things as natural, conditions were relatively peaceful and orderly. The extreme misery of the lower levels of society was tempered somewhat by the hope—almost without reason—that by hook or crook or by miracle they could raise their status, and by the knowledge that any strong complaints against the "system" would bring down the heavy hand of the Government.

Actually, they did improve their status occasionally by successful banditry, soldiering, smuggling or some other illegal activity. For the small landholder who showed a little profit when his year's work was over, there were a few opportunities for advancement since he was in a position to buy additional land when it was offered for sale. Also, the small landowner usually could rent extra land which he could farm at a profit from some of the rich, but lazy local gentry.

The local gentry, however, were almost certain to come to eventual ruination. Society was so primitive that the only readily available method of making money was from agriculture, and the methods were so primitive that there was a definite limit to the amount of money which could be made each year. Even officials found it hard to store up tremendous fortunes. The result was, in one village Fei studied for a year, that the largest landlord in the area had about 100 mow. A few generations before, one landlord, who was unusually shrewd and successful, managed to amass a fortune of about 600 mow, approximately 100 American acres. However, through the practice of equal division of land among his sons, his estate shrank so rapidly that within two generations, some of his descendants were small peasants and, local observers confidently predicted, within another generation some of his descen-

dants would become landless peasants and day laborers.

Apparently this continuous rising and falling of heads was a normal procedure in this village which was untouched by the modern world. While the system was bad and life for most was wretched, there was some small comfort to be taken from the fact that the families of even the biggest landlords eventually sank back to the lower levels of society, while some lucky members from the lower levels were constantly rising above their original positions. Presumably, if outside factors did not enter into such a community and the people's thoughts about life and society remained unchanged, a community of this type might remain relatively stable for an indefinite period.

However, sociologist Fei next moved to a town which was quite similar except for the fact that a native industry had developed. Contrary to expectations, the industry did not improve the condition of the community. It acted in a contrary manner, making life generally worse in that it increased tenancy. This was because the industry gave the owners a great deal more wealth than they could pile up through farming. Because there was only one type of industry and because raw material shortages, available markets, and other things limited the expansion of the industry, the local industrialists were continually left with surplus, idle cash which could only be profitably invested in land. Gradually, the factory owners bought up surrounding real estate until at the time that Fei visited the village, the big landlord-industrialists were being forced to look to neighboring villages in search of purchasable land.

One interesting aspect of the industry in this village was that the factory owners still followed the inheritance system—an equal share to each son. The idea of corporate organization was either unknown or undesired since each son took his turn at operating the factory. Som factories were bogging down because brothers, cousins and other miscellaneous relatives all owned parts of the same factory and each secured his share of the return by operating the plant for his exact share of time by the calendar. This resulted in one son or cousin working the plant for, say one month, with his own workmen, raw materials, technique, etc. Then he cleared out, and the next in line moved in with his raw materials, workers and so on.

Fei's third village, near a walled city, was close to a main transportation artery (the Burma Road) and was also the sight of a native industry. At the time of his visit, the native industry was on its last legs, having being ruined by competition from Shanghai and from abroad. Previously, the natives had grown cotton, spun it into thread and then weaved it into cloth. Contact with the outside had brought machine made thread of a quality and price which soon made it unprofitable for the local people to compete. Thus the cotton farmers were ruined and the thread making industry extinguished. However, the weaving trade was still hanging on. The people continued to farm as usual, but grew no cotton. They bought foreign and Shanghai thread in the walled city and took it back to their villages and farms and wove it into rough cloth. They returned the cloth to the thread merchants in town who paid them the difference in more thread. Thus, from a self sufficient local home industry, which, unlike the industry in the previous town which had been in the hands of a few industrialists, the farmers became wage laborers for the town thread merchants.

The worst part of the arrangement was that the weavers were virtually slave laborers. They operated the looms in their spare time, when the crops needed little or no attention. This roughly, was about 50 percent of the time. However, during the days or seasons when they worked steadily at the looms they did not earn enough to buy even the meals they ate. However, since, say, 75 percent of their income came from six months of farming, they were forced to make another, say, 25 percent during the remaining six months, which is what they did by weaving.

However, all was not bad. There were a few bright spots. For instance, the rise of the walled town, which was growing because of its location, etc. called for a great deal of food. As the town grew in population the number of nonfarming people who had to be fed naturally increased. This boosted the market for grain, which unfortunately did not help the individual farmers as much as it did the landlords. However, for the first time there was a market for vegetables which were very profitable to grow on farms fairly close to the town. Vegetable gardening was becoming an increasingly important source of revenue for the farmers, especially those whose land holdings normally would not support them. Vegetable farmers received a higher reward for their labor per mow than rice farmers.

The worst aspect of this disrupted feudal society, was that the thread merchants and other entrepreneurs, blessed with a few modern conveniences for trading and speculating, were able to amass fortunes so great that they were not materially dissipated by inheritance. Gradually there developed an extremely wealthy class, which again found a limit to the commercial or industrial investment opportunities and which again turned to the land. At the time of Fei's visit, some town dwellers owned as much as 3,000 mow of land and were still adding to their holdings.

* * *

WHILE the three villages surveyed by Dr. Fei and his associates certainly constitute a very tiny part of China, it does seem that the facts learned indicate that, generally speaking, certain things may be presumed to happen in a feudal society such as China's when certain new factors are introduced.

Some of Dr. Fei's other studies, such as those reported in his earlier book, "Earth Bound China," and some of the unpublished but often referred to surveys of his colleagues in National Tsinghua University all indicate that the entire land situation needs reforming. Tenancy, one of the worst evils, results from the feudal social

12 AREAS OF US-SOVIET FRICTION—AND 11 PLACES WHERE IT MIGHT BE LESSENED

The above map, from the *New York Times*, indicates main points of conflict and the international media through which Secretary Marshall recently said these differences might be settled. Russia is trying to block the ERP (1) and the US is encouraging the Western Alliance (2) as a bulwark against Russia. Deadlocks prevail in Germany (3) over political-economic organization, in Austria (4) over the peace treaty and in Trieste (5) over selection of a governor. In Greece and Turkey (6) the US is backing the Governments against communist pressures, and in Eastern Europe (7) it is opposing governments dominated by Russia. In the Middle East (8) the Western powers are resisting the spread of Russian influence into the oil areas. The US supports the Chiang Government against the Communists in China (9), and in Korea (10) Russia has blocked UN efforts to set up an independent state. Russia and the US remain divided in Japan (11) over joint occupation policies. The Soviet Union charges that American bases at Okinawa (12) and elsewhere constitute an "encirclement" of Russia.

system, which also condones heavy and unjust taxation, and other forms of exploitation of the weak. As the old system breaks down—which it is gradually doing in most areas of this country—many dislocations or outright abuses occur which even worsen the general situation. We imagine that most sociologists would agree with us that the days falling in between the discarding of one set of social standards and the acceptance and enforcement of a new set are likely to be difficult and confused and thus many who do not thoroughly understand what is happening desire a return to the old because it was stable and peaceful.

* * *

DESPITE the fact that we unfortunately do not have many clinical studies such as Dr. Buck's and Dr. Fei's, we do have continuing newspaper reports from all over China describing rural conditions in various areas at certain times. We have collected a lot during the last couple of years and when we add them up they show a pattern of social unrest and economic dislocation from one end of this country to the other.

In February of 1947, for example, we compiled a food crop report in our office which indicated that although 1946 was reported to have been one of the best harvest seasons in recent years, many serious dislocations were noted. Mass desertion of the land by peasants in many provinces was reported. Exact reasons, except for the then recently-concluded Sino-Japanese war were not given, but private guesses hinted at general peasant dissatisfaction with rural conditions. When a peasant becomes so dissatisfied that he leaves his land something must be very wrong.

The US Agricultural Mission in China, which arrived here in June 1945 and which submitted its findings to the American and Chinese governments in November 1946 reported that it was certainly possible to improve rural conditions and increase food production if certain steps were taken.

The Mission recommended:

(1) An integrated program of agricultural instruction, research and execution developed by the Ministry of Agriculture and Forestry and the Ministry of Education.

(2) Action to provide more adequate foreign credit, and at lower cost.

(3) Establishment of a single, government-sponsored bank to supply agricultural credit needs—a Bank of Agriculture.

(4) Establishment of a National Agricultural Administration within the Ministry of Agriculture, to enforce standardization, market regulations, as well as to govern agricultural products.

(5) Serious consideration of ways to solve the problem created by the pressure of population on the relatively limited agricultural possibilities of the nation.

(6) That the Government place emphasis on the construction of fertilizer plants, aid in reforestation, and scientific improvement in the present production of fruit, vegetables and livestock.

(7) Definite measures be instituted immediately to encourage the export of important agricultural commodities now being seriously restricted through the present currency exchange rate and the high cost of inland transportation and credit.

On November 15, 1945, the *Ta Kung Pao*, discussing marketing conditions in Paoshan, Kiangsu Province said: To cultivate one mow of wheat field, which produces two and one-half piculs, the cost is CNC$134,600, while the same

mow of land would produce one picul of cotton for CNC$64,000. If one were to sell these products, there would be a loss of CNC$14,000 in the case of cotton and CNC$47,350 in the case of wheat.

The Chinese magazine *Century Critic*, in its January, 1947 issue carried an article by Dr. Wu Ching-chao, who was described as a former professor in the University of Nanking and at that time a "high" government official. Dr. Wu said he had visited rural areas in Kiangsu and Chekiang provinces and found conditions deplorable. "Aside from the hsien taxes (which amount annually to approximately CNC$300,000,000 for the hsien in question) the hsien government collects a considerable variety of other amounts.

"For the purchase of Victory Bonds the population paid (almost by force) a total of CNC$5,500,000. From January to June of 1946 the hsien government requisitioned 11,000 big bags of military rice, also almost by force. The actual burden of the Chinese farmers is not apparent from formal government budgets. The 'land tax,' which appears in the budget, as paid by farmers in Kashing (hsien) is but one-seventh of their annual crop."

Offering excerpts from minutes of village meetings, the writer gives a vivid account of the other various exactions—requisitions of army rice, apportionment to cover cost of village hall repairs, payment of expenses of the village hall, funds for rehabilitation of the district government, apportionment of "public foodstuffs," providing local garrison with firewood, funds for village schools, sundry village hall expenses, revision and increase of village hall budget, purchase of more army foodstuffs, funds to buy uniforms and sandals for village garrison, funds to cover cost of farm tools borrowed (and never returned) by the soldiers and the provision of furniture for a military hospital.

The question of rural conditions came up again in a report on taxes which we compiled around the middle of last year. We noted: "Often names are kept off the village record in order to exempt them from taxation. Obviously, people with pull and prestige get off. Moreover, the rich refuse to pay taxes, and the result is that the general economic condition of most of the peasants is one in which they subsist on such a low level of income that it is impossible to save. An authority on rural China declares that the income of the lowest peasant class is invariably less than his expenditure."

The difficulties of tax collection, which in turn mirror difficulties in the countryside, is borne out by Central Government figures, which show that the percentagewise cost of collection has been increasing almost each year and that taxes inevitably fall below estimates, both in money and in taxes in kind.

The *Ta Kung Pao* reported on March 31, 1947 that in addition to regular taxes the Central Government would "borrow" 2,000,000 piculs of rice from Szechuen. The *Wen Wei Pao* during the same month reported that in the rural districts around Shanghai, Nanking, Hangchow and Ningpo there was a general exodus of peasants from rural areas into the cities, and the saying was current in the countryside that "soon there will be more land than people in spite of the over-population."

* * *

THERE is a chronic illness in the Chinese countryside, of which tenancy is one of the most outstanding symptoms. Redivision of the land without changing the old feudal social system and without effecting many modern technical and scientific improvements will be of little help. Any long term solution must also consider the position of the city as a part of the whole economic picture and, furthermore, the hoped-for acquirement of extensive modern industry must be included in any plans.

US's Biggest Customer

WE recently commented upon Senator Owen Brewster's unhappy state when he realized that Britain was in danger of becoming a competitor of America's in the jet airplane business. Senator Brewster took the line that industrial development abroad was a direct threat to US industry, in that countries which learned to make things for themselves would stop buying from America.

At the time we knew full well that Senator Brewster was talking through his hat and said so. Since then we have obtained some figures regarding US-Canadian trade relationships and also regarding Canada's internal industry which we think constitute a practical demonstration of our contention.

In the days of the great colonial empires, the most popular economic theory of the modern industrial state held that the home or mother country should draw raw materials from her colonies, transform them into finished products and return them to the colonies. Under such a theory, the center of the empire did the manufacturing and exacted a fee from the dependent colonies. It was felt necessary to devise various methods of protecting this privileged position. Colonies were denied the right to erect industry and, furthermore, were kept closed to outsiders.

There are many arguments, of course, which can be used to justify the colonial system or other systems which prevent industrial development of backward areas. Some of them are entirely fictitious, while others are demonstratably false from an economic point of view. We believe the situation in Canada answers all arguments.

Originally Canada, like the United States, was a raw material supplier for Great Britain's industrial machine. Through the years Canada has increased its home industry until now it is one of the great manufacturing and trading nations of the world. Gradually, Canadian economy became oriented increasingly toward the United States, rather than toward Britain. This largely was due to geography. The record of Canadian-American trade relations conclusively proves that the chief beneficiary of Canada's industrialization and emergence as a trading nation has been the United States which is also Canada's chief competitor for many markets abroad.

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Canadian industrial expansion today is at a peak; 5,000 new factories have been built since 1939, more than 200 commodities which were purchased abroad before the war are now made at home. Employment is at a post-war high, capital investment is greater than ever, the country is thoroughly prosperous. Has this hurt the US? Not in the least. Each year Canada becomes a better customer for America. This year Canada will spend in the United States more than US$1,000,000,000 for new goods and equipment.

Canada today is an example of the modern theory that an industrialized country is the best customer. Her industrial plant is growing, her export trade is growing, her standard of living is rising and her needs for imports from the world are growing.

"And It Shall Pass . . . ."

Tiger Balm King Organizing Foochow Water Company—*China Daily Tribune*, June 23, 1948.

Government Concerned Over Serious Foochow Flood.—*China Daily Tribune*, June 23, 1948.

Fourth Of July

TOMORROW is the anniversary of American independence from England. It is also the anniversary of Philippine independence from America. It is, however, not an occasion for unbridled rejoicing, as is usually the case. There are too many countries in the world today which have yet to secure their independence. Much of Asia is still under the domination of outsiders, although some areas, such as India, have managed to gather the reigns of authority into their own hands.

From where we sit, the forthcoming year promises to be at least as difficult and disappointing as the past. It is hard to imagine what we shall be able to write one year from tomorrow. However, we may all hope that upon that occasion we shall still have the freedom to write the truth as we see it.

If nothing else, the Fourth of July is a good day for freedom loving people—both those who already have their freedom and those still struggling to attain it—to stop and consider their positions, to see if they have gone forward or backward during the last 12 months. Those who already have their freedom should make sure that they have resisted to the utmost any infringements upon it, while those fighting for freedom should try to find means for intensifying their struggle.

25 Years Ago In *The Weekly Review*

Above Suspicion

June 30, 1923

It is our purpose to call the attention of the intelligent classes of Chinese to the perilous situation that now exists and most especially to call the attention of Americans, private citizens as well as officials, both in China and at home to the crisis that has developed out here in the Orient which is affecting the destinies of a large percentage of the world's population and through them the peace of the whole world. The preoccupation of European nations in affairs at home bars them from an active and forceful participation in the solution of China's troubles. Japan is still under suspicion for her actions in the past which will require many years of fair dealing and absolute change of policy to eradicate. America is in a position to lend active assistance, and at once. Her actions, while not always intelligently directed, have generally been above the suspicion of selfish imperialistic aggrandizement.

* * *

Russia

Russia does not stand in need of either sympathy or charity from either America or any other country, nor does she now consider recognition so essential for she has long since started to work out her own salvation and if only the foreign countries will leave her alone to effect this the result will not altogether be so pleasant to those very countries who today are clamoring about Russian fallacies, futilities, speculation, propaganda, etc. Stability is being welded today in Russia with an iron hand that in the long run will prove a more effective means for recognition than all the whims and caprices of foreign countries.

10 Years Ago In *The China Weekly Review*

Never Too Late

July 2, 1938

"It is essential that there be self-confidence. We must believe that we are capable of building up a new nation, and we must be cheerful in the face of national disasters. If one has courage and foresight, half the battle is already won, because victory depends as much upon the morale of the soldiers and the nation, as upon material equipment. There may be some who might say: 'Why did we not think of these things before?' It is true that we should have thought of them, and we should have done certain things. However, it is never too late to mend."—Mme. Chiang Kai-shek.

* * *

Necessary Means

It should be pointed out that the danger of a war with the Soviets as a result of Japan's provocation is nevertheless real. In the first place, it is clear to everyone that the Continental policy of Dai Nippon envisages the conquest of China as an end to which, however, a victory over Soviet Russia is a necessary means. Politically speaking, what Japan has gained in China ever since the outbreak of the Mukden Incident in 1931 is, in her own calculations, still unsafe without a successful campaign against her only serious rival on the Asiatic Continent....Since the prolongation of current Sino-Japanese hostilities will have the effect of strengthening the position of the Soviets, the Japanese may decide that the time has come for them to settle their differences with their northern foes by force.

"The Real Third Force In America"

Robert Shaplen

New York.

AT a time when a swing to the traditional conservatism of the Republican Party seems almost certain in the American elections this November, there are two salutary factors which liberals in this country can welcome: one, despite some disadvantages, the bi-partisan foreign policy as expressed in the European Recovery Plan is likely to continue, indefinitely; two, there has already arisen the beginnings of an American "third force"—created around a non-Communist left—that promises to revitalize the shopworn Democratic Party, to make it once more the party of Franklin D. Roosevelt.

It is difficult for those in the Orient as well as for people in Europe to follow the strange twistings and turnings of the American liberal, especially when American liberals themselves too frequently are unaware of their own confusion. I am certain that most readers of the *Review* believe that Henry Wallace, in his third party candidacy for President, carries the banner of the New Deal, for this is something that has been carefully manufactured by Wallace himself and by his followers; the best guesses, incidentally, as of today, are that Wallace may get 3,500,000 votes—less under the remote circumstance of General Dwight D. Eisenhower's being drafted by the Democrats.

Wallace Represents Self

Wallace is represented first and fundamentally by himself, and organization-wise, by the Progressive Party, which has been formed out of the Progressive Citizens of America, a group that has a claimed but unsubstantiated membership of 100,000. This organization has been steadfastly opposed by the Americans for Democratic Action, which has an actual membership of only 26,000 today, but whose place is becoming constantly more significant in American politics for reasons I shall go into below.

Comparisons are too often useless and confusing, but I should say, on the basis of my own experience in China, that both these groups would appeal to members of the old Democratic League. Those members of the league who, two years ago at least, believed the best chance for China's future lay in forcing reform in the Kuomintang to make it a positive alternative to Communism, even in a coalition government, would probably join A.D.A. in America. Those who lent their main efforts to come to terms with the Chinese Communists from the start, who *desired* complete co-operation with the Communists as a positive tactic and strategy rather than as a perhaps inevitable alternative, would join P.C.A., the Progressive Party, and would have no hesitation in voting for Wallace this fall.

Thousands of American liberals disapprove of Wallace because they don't trust him. They think he is muddled, a mystic, a man of good will, perhaps, but so totally naive that at best his policy of appeasing Russia can be set down to total miscomprehension of what has happened in Europe in the past-war years.

Communist Backed

The opposition to Wallace of A. D. A. is summed up, in part, as follows: "It is an established fact that it (the third-party candidacy) owes its origin and principal organizational support to the Communist Party of America . . ." Additionally: "The policy of its spokesmen in conciliating the Soviet Union on any and every issue would betray our war-time pledges to the democratic forces of Europe and Asia. . . ." Still additionally: "The organizers of the Wallace movement, while proclaiming devotion to civil rights at home, have been strangely tolerant of judicial lynching, slave labor, and the police state abroad...." Finally: "The introduction of third party candidates in Congressional races can serve only to elect an isolationist and reactionary Congress."

Agreement with these points naturally depends on the set of your own hat. But it certainly is true that the Progressives do not turn aside from full working cooperation with the American Communists, and in fact welcome their support. It is also true that the party is opposed to the Marshall Plan and E. R. P., (which now is widened to include mostly civil aid and some military aid for the Kuomintang). It would certainly be difficult for a repressed member of the Democratic League in China to express the same resentment against working with the Communists that A. D. A. does here —since his only alternative today is merely further repression at the hands of the KMT. But if it is a fact, a tragic fact, that the most vocal third force in China temporarily has been beaten and crushed, perhaps in part because of a hypocritical American China policy and certainly against the fondest hopes of ex-mediator Marshall himself, it is *not* a fact that the third force in America or in Europe has been so subjugated. Thus, again, comparisons are difficult, and I make them here only to explain the alignment in America in terms Chinese liberals can perhaps best understand.

Except for the vital differences noted above, the domestic programs of A. D. A. and the Progressive party are much the same—based on a return to New Deal tenets. But the differences noted are even more than vital—they are basic, and they are summed up in the following paragraphs from the policy statement adopted by A.D.A. at its national convention this Spring in Philadelphia.

"The free world faces a challenge from the Soviet Union and its international Communist instrumentalities. Communism professes to offer peace and economic security; but in practice its spread has meant the extinction of free political activity and the rise of the police state. It has strengthened through fear the forces of extreme reaction. Soviet expansion has raised issues basic to world peace. These issues are not between capitalism and socialism, but between those who believe in the inalienable rights of the individual and those who don't. The Labor Government of Great Britain and the democratic Socialist parties of Western Europe stand for freedom in this world struggle between democracy and totalitarianism.

"We are confident that the Soviet challenge can be met short of war. But this can be done only if the United States pursues a firm, clear-headed and affirmative policy in support of democracy and the UN. Containment, though indispensable to such a policy, cannot in itself produce peace. We must meet the moral challenge of the USSR with a positive faith in human values and individual rights. We must meet the economic challenge of the USSR with a program of effective action to cure the world's economic ills. We must meet the political challenge of the USSR with a policy of unswerving support of democratic forces."

A. D. A. firmly asserts "A true European Recovery Program calls not for soup-kitchen relief, but for the economic reconstruction of Europe."

China Platform

Following is the A. D. A. platform statement on China:

"We regret that the Marshall report on China, affirming the necessity for positive support of progressive elements, has not become American policy. We oppose any unqualified support of the Kuomintang. We recognize that the United States, facing vast world responsibilities with limited resources, must make a basic decision of strategy comparable to the military decisions of 1941-'42. Because the next few years may well be more crucial for Europe, we favor the present concentration of our major effort upon the European crisis. Aid to China must be closely supervised and confined to economic reconstruction and stabilization, with the clear understanding that it will be terminated if the intolerable political, economic and administrative abuses which now exist are not corrected. We believe that the best hope of limiting the civil strife in China lies in the build-

ing of a strong, progressive regime which can carry out adequate economic and land policies."

There is no space here to go further into the details of A. D. A.'s foreign or domestic platforms, other than to state that the group favors the quickest possible signing of peace treaties with Germany and Japan, and implemented decartelization programs in both beaten nations; the carrying out of the U. N. Commission recommendations on Greece, based on its finding of Communist support to the guerrillas, but at the same time an increased effort to encourage democratic forces in Greece and to implement the present U.S. program there.

Look To Future

A. D. A.'s future is bright mainly because it has a solid core of true New Dealers leading it; men like Leon Henderson, its present head, Wilson Wyatt, Paul Porter and others, and because it has become the focal political group to which such labor leaders as Walter Reuther of the auto workers union are turning. Reuther is the single most important up-and-coming labor leader in America today, heading a union of more than a million members. Last winter he warded off Communist efforts to take the union over, and he is labor's top man in a growing national non-CP front. The A. F. of L., through its president, William Green, has also lent A. D. A. its support; and the C. I .O., while not taking sides vis-à-vis A. D. A. or P. C. A. (the Propressive Party), is supporting the Marshall Plan fully.

There is some clash of strategy within A. D. A. at present which arises out of its projected support of a drafting of General Eisenhower. An April 11th national policy statement was put out in which, after praising President Truman's efforts in behalf of civil rights legislation and E. R. P. etc., it was asserted that he lacks leadership and that his "brave rearguard action" in defense of social and labor legislation against reactionary onslaughts is not enough.

Accordingly, it was declared that "this nation has a right to call upon men like Eisenhower and William O. Douglas (of the U.S. Supreme Court) if the people so choose." The statement adds: "With Eisenhower or Douglas in the White House, the free peoples of the world will receive a new infusion of faith and hope, and the USSR cannot but hesitate in its policy of headlong expansion and aggrandizement."

Possible Candidates

Local A. D. A. chapters have particularly come out for Eisenhower as the only way for the Democrats to stay in office. The theory behind this is that, even though he rejected a Republican bid with a broad statement in which he said he would not allow himself to be nominated under any circumstances, Eisenhower—like anyone else—*must* be responsive to a convention floor draft. Many A. D. A. members and others believe he is a true democrat and would be receptive to a Democratic nomination.

Other A. D. A. supporters believe that Eisenhower's views are not really known, even though everyone believes he is a fine fellow and a man of real democratic leanings and aspirations. These people hold, however, that to turn to the unknown quantity of Eisenhower represents basically a politics of desperation. They insist that A. D. A.'s true function is to think *ahead* toward the resurrection of the Democratic Party in this country, and that Justice Douglas, a true New Dealer and a long-time associate of the late President Roosevelt, is the best man to support—even if he has not much chance of winning a nomination. It is true that Truman would probably step down for no one but Eisenhower, but Douglas enthusiasts believe that support of him by A. D. A. is calculated more to improve A. D. A.'s national standing in 1950 and 1952, and to maintain the organization's growing labor support. It is true, nevertheless, that whether Eisenhower or Douglas is directly and specifically backed by the national A. D. A. policy-setters before the conventions meet, all A. D. A. members will stand firm behind the final choice.

At the moment it looks as if Truman will oppose the Republican nominee, Dewey. Either way, Wallace is shooting his bolt and will probably pass from the political scene after 1948.

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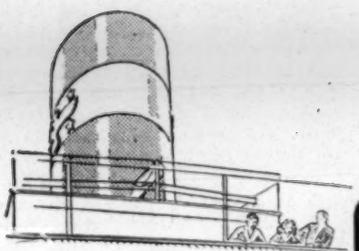

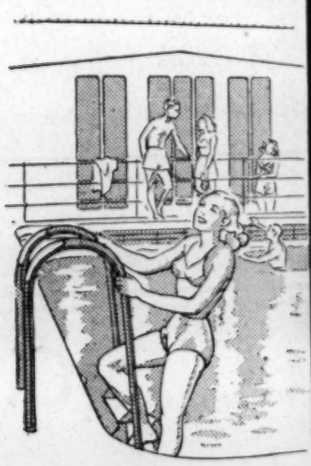

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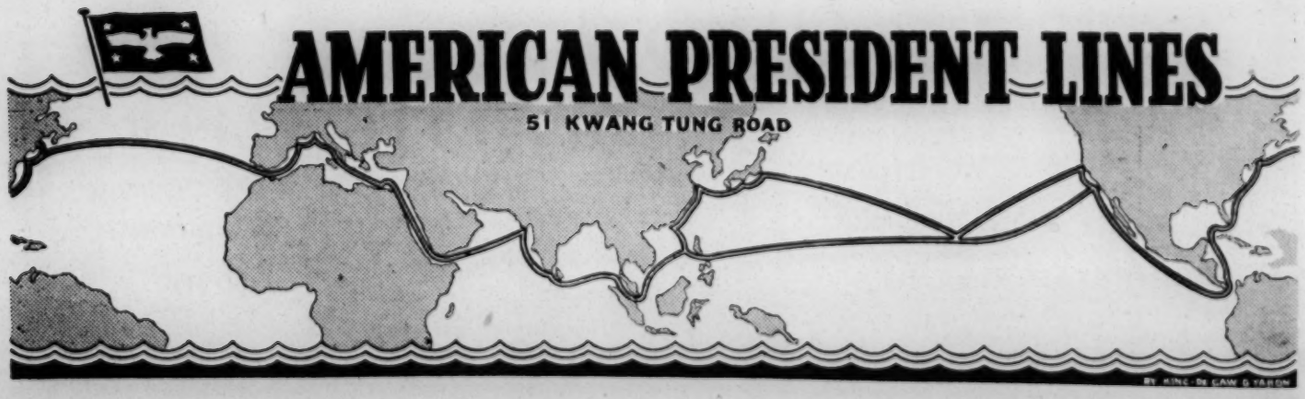

The New American Aid To China

C. Y. W. Meng

TO the long list of American aid to China, extended both pre- and post-VJ Day, we must now add another US$400 million, of which US$275 million is for "Economic Aid," and another US$125 million is for "Military Aid." This economic aid will cover a period of 12 months, at about US$23 million a month.

No one knows definitely about the military aid program.

However, the economic aid program for China, as announced by American Economic Administrator Paul G. Hoffman recently, is for the purchase as well as the importation to China of cereals (wheat and rice), cotton, petroleum and petroleum products, fertilizers, tobacco, replacement articles for existing capital equipment and other reconstruction projects. Thus, this aid will keep many of us fed, many of our factories operating, and will further enable us to start some reconstruction projects, such as repairing the Hankow-Canton Railway, expanding electric power facilities in the Shanghai area and developing coal mines in Central China.

Coming, as it does, at such a difficult hour in our history, this economic aid, though much smaller than what was first proposed (US$510 million), is certainly a great help to us in tiding over our economic crisis. This point can be made more clear if we study China's foreign trade and dollar position for the past two years.

China's Trade

The total amount of China's imports, when converted into US currency, was US$560,579,822, or US$46,714,985 a month, in 1946, and US$480,156,756, or US$40,013,063 a month, in 1947. These imports were hardly sufficient to meet our needs after the years of devastation by the war.

Fortunately, during these hard years, UNRRA came to China's assistance. According to the *CNRRA Annual Report* (published in April 1948 in Chinese) by the end of 1947 UNRRA had shipped to China a total of US$517,500,000 worth of goods, out of the estimated fulfillment of US$535,000,000. These comprised US$133,200,000 of food supplies, US$113,400,000 of clothing supplies, US$31,700,000 of pharmaceutical supplies, US72,500,000 of agricultural and fishery rehabilitation supplies, and US$166,700,000 of industrial and mining rehabilitation supplies. (See *CNRRA Annual Report*, p. 3.)

According to an earlier report of the Director-General of UNRRA, Mr. LaGuardia, 43 percent of these supplies, or US$229,104,000, reached China in 1946; thus, the remaining US$288,396,000 must have arrived in 1947.

This means an increase in China's imports to a total of US$789,683,822 (Imports: US$560,579,822 *plus* UNRRA supplies: US$229,104,000) in 1946, and US$768,552,756 (Imports: US$480,156,756 *plus* UNRRA supplies: US$288,396,000) in 1947.

However, taking into consideration the high price of China's postwar imports in terms of US dollars, the values of our imports in 1946 and 1947 were certainly not large in comparison with prewar years.

With UNRRA winding up its business at the end of 1947 the situation in China became far more desperate. The aid from the post-UNRRA China Relief Mission, amounting to only some US$30 million, is certainly too small to meet China's needs.

Turning to the export side, this amounted to US$148,878,808, or US$12,406,567 a month, in 1946, and US$230,533,980, or US$19,211,165 a month, in 1947. Thus, we had an import excess of US$411,701,014, or US$34,308,418 a month, in 1946, and US$249,622,776, or US$20,801,898 a month, in 1947.

The Chinese financial authorities certainly knew that China's small amount of foreign exchange was dwindling fast. Hence they took many steps to reduce the volume of imports.

Beginning from November 17, 1947, the Central Government began to enforce a control over foreign imports through the import license and quota system. Throughout the year (1947), the Chinese authorities exerted strenuous efforts in devising ways and means to promote China's export trade. But we are still very far from attaining the objective of paying our import requirements with exports.

Although China's imports in 1947, when compared with 1946, were reduced by only some US$80,423,066, we must remember that the purchasing power of the US dollar was much smaller in 1947. Therefore, in fact we imported far less goods that year than is indicated by the figures.

A study of the monthly returns of imports of raw material and fuel, capital goods and consumption goods —necessities as well as non-essentials (for these items only)- of 1947 further reveals that the average of the last five months is much smaller than that for the first seven months. According to a table on "Net Value of Merchandise Imported and Exported in 1947—By Kinds," compiled by the Economic Research Department of the Central Bank of China, the monthly returns of these imports in 1947, in terms of US currency, are as follows:

Month	Raw Material & Fuel	Capital Goods	Consumption Goods Necessities	Consumption Goods Non-necessities	Total
January	28,307,381	6,100,554	2,373,126	7,915,531	44,696,592
February	25,271,352	4,506,550	2,993,162	10,237,981	43,009,045
March	18,754,949	7,500,413	3,197,837	5,798,000	35,251,199
April	24,889,506	7,829,173	3,892,710	6,050,859	42,662,248
May	22,755,157	7,417,170	6,206,438	6,359,799	42,738,564
June	22,853,204	10,085,877	6,181,404	4,525,377	43,645,862
July	40,293,482	10,323,474	3,885,760	4,649,979	59,152,695
August	17,321,089	3,476,714	1,500,488	1,680,663	23,978,954
September	25,731,460	5,514,524	1,359,122	1,751,496	34,356,602
October	20,718,369	9,273,987	653,839	1,564,175	32,210,370
November	18,152,819	5,854,894	578,033	2,005,927	26,591,723
December	15,030,577	5,787,988	501,355	1,505,450	22,825,370
Total	280,079,345	83,671,318	33,323,324	54,045,237	451,119,224

From this table, we find that the average for the first seven months was US$44,450,886, while for the last five months it was only US$27,992,603. (For this Table on "Net Value of Merchandise Imported & Exported in 1947—by Kinds," see the May 1948 issue of *The Central Bank Monthly*, Table 22 (B).)

Import Quotas Cut

This retrenchment policy has also been applied to the operations of import quotas of goods under Schedule II Commodities. We note the amount of import quotas is getting smaller quarter by quarter. It started with US$99,700,000 for the First Quarter (February to April, 1947), and it was reduced to US$72,610,000 for the Second Quarter (May to July, 1947), to US$67,873,000 for the Third Quarter (August to October, 1947), to US$53,393,000 for the Fourth Quarter (November, 1947 to January, 1948), and to US$36,738,000 each for the Fifth and Sixth Quarters. According to a report, even this small amount for the Fifth and Sixth Quarters has not been distributed, though it was already decided. (Report in the *Ta Kung Pao*, Shanghai, June 5, 1948).

It may be recalled here that with the promulgation of the Revised Regulations Governing Foreign Trade and Foreign Exchange on August 17, 1947, a new Foreign Exchange Equalization Fund Committee was formed. While the official rate of exchange of CNC$12,000 to US$1 was maintained, a new flexible market rate was introduced.

However, a later report reveals that the receipt of foreign exchange from exports and other sources, as acquired by the said Committee from September 1947 to February 1948, amounted to only US$16 million (US$13 million from exports and US$3 million from other sources) per month. (*Ta Kung Pao*, Shanghai, June 4, 1948.)

Although this acquisition of for-

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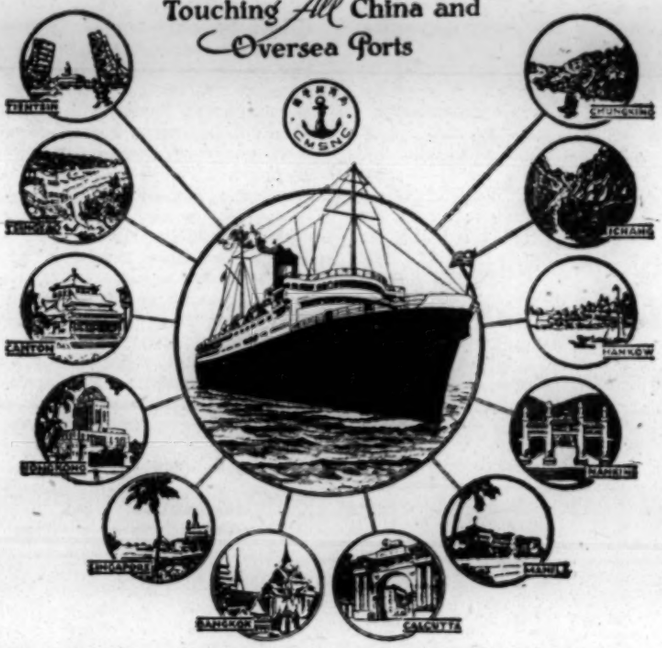

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eign exchange represents a big increase over what was acquired before the organization of the Committee, the amount could cover only about one-third of the monthly average of imports of US$46,714,985 in 1946, and less than one-half of the monthly average of imports of US$40,013,063 in 1947. And this amount would compare still more unfavorably if this monthly average is added to UNRRA supplies, which, as stated in the foregoing, amounted to US$65,806,985 in 1946 and US$64,046,063 in 1947.

China's Dollar Position

With an adverse balance of trade and a low level of official receipts from overseas remittances caused by the civil war and inflation, it has been necessary for the Chinese Government to draw upon its gold and foreign exchange holdings to finance the major portion of Chinese imports.

According to data given in *Proposed China Aid Bill and Background Information on Economic Assistance Program for China*, published by the State Department on February 20, 1948, "Chinese Government holdings of gold and dollar exchange have fallen from about US$900 million on December 31, 1945, to about US$234 million as of January 1, 1948, of which US$96.5 million represents gold (US$86 million being held in China) and US$137.8 million consists of official dollar balances in the United States. In addition, holdings of sterling area currencies as of January 1, 1948, are estimated at approximately US$40 million; and official holdings of silver are valued at around US$30 million, almost all of which is held in China." (p. 14.) Table at top of next page gives the details of China's official gold and exchange holdings (in millions of United States dollars).

Palliative But No Remedy

As China is in such dire need of food, fuel and raw materials and is so short of foreign exchange, the present Aid is certainly of great help in enabling us to procure these imports. With US$275 million from the Aid, together with the acquisition of foreign exchange by the Foreign Exchange Equalization Committee, amounting to some US$192 million a year (calculated at the monthly average of some US$16 million), the volume of China's imports of 1948 can amount to around US$500 million. If more appropriate steps and readjustments of the exchange rate are taken, China's imports in the current year may even reach the 1946 (US$789,683,822) and 1947 (US$768,552,756) levels.

However, it must be pointed out here that even in 1946 and 1947, when imports were on a much higher level, prices were also soaring, though the rise was not as violent as it is today. Therefore, the consensus of many Chinese observers is that the present American US$275 million-Economic Aid, helpful as it is to China, is a palliative, rather than a remedy for our economic ills. It may help us to forstall our economic crisis for a while, but it will not permanently solve our economic difficulties.

Month	Official Dollar Balances in U.S.	Official Gold Holdings in U.S. & China	Total Official Gold & Dollars	Sterling Area Currencies (equivalent in Dollars)	Total
1947		(in millions of US dollars)			
June 30 ...	254.7	96.5	351	66	417
Sept. 30 ..	189.6	96.5	286	47	333
Dec. 31 ...	137.8	96.5	234	40	274

Nevertheless, I believe, the most important contribution of the present American Aid lies in giving us a respite during which we must initiate the measures of self-help to improve our economic conditions and to build the basis for our economic recovery.

Uses Of Aid

This leads us to discuss briefly: What is the best way to utilize America's "Economic Aid" to China this time. I venture to suggest some general principles.

(1) Aid from the United States must not, first of all, encourage China "to choose sides," or drift toward the "Polarization of the Rightists," as America is doing today. On the contrary, China must utilize this respite provided by the Aid to quickly develop the "Third Force" in the country and seek an amicable political settlement at the earliest possible date, and she should then go on to try to find mutual economic cooperation with other friendly nations in the world.

China must not believe that the American aid, even a far greater sum, can perform any miracle. China must realize that "Cease Fire" is the only panacea to all of China's economic ills.

(2) The imports under the present Aid Program as well as the proceeds realized through the sales of these products must not be used for the prolongation of the present "Fratricidal War," but be directed *exclusively* for civilian use and into productive channels for the revival of Chinese industries.

(3) Coupled with the execution of the present American Aid Program, China must simultaneously launch a nation-wide "Produce More" movement to increase the production of rice, wheat and cotton by promoting the use of improved seeds and fertilizers and by cultivating more unused land throughout the country. This movement must start in Hunan, Kiangsi, Szechwan and other rice-producing provinces where there is no fighting.

By tradition an agricultural country, China must produce more food and cotton by herself for her own people. China must not depend on "foreign" rice, wheat and cotton to meet the needs when there is no nation-wide famine and flood.

(4) China must have a definite plan to make the best use of the present American Aid this time. "In other words, many countries have tried to carry on from day to day by means of American help without plans and, as a result, often have wasted the relief funds. Naturally there was no European recovery." (See "Italy, the Marshall Plan and the 'Third Force'" by Carlo Sforza in the April 1948 issue of *Foreign Affairs*, p. 451.) Such a blunder must be avoided. And this plan, to be brief, may be stated as follows:

Part One of the Plan: A Currency Stabilization Scheme

In my opinion, the operations of the present American Aid Program provides us with a good chance, not to effect a currency reform, but to stabilize our currency to some extent if our financial authorities would take the following steps:

(A) With the operation of the program, the National Government should make a solemn promise to stop issuing notes, if possible; or, at least, to promise greatly to slow down the rate of increase. It should furthermore announce that the present CNC$100,000-denomination note is the biggest of all, and that no larger note will be issued in the future. Simultaneously, the Ministry of Finance should promise to release figures on note issues as well as those relating to the reserve against such issue in the Central Bank of China from month to month.

Unlike the UNRRA supplies, imports under the present program can all be put on sale. The sale of US$275 million worth of products in 12 months, or about US$23 million a month, if properly managed, should be able to recall a large portion of notes from circulation. It should greatly slow down the rate of increase, if not stop the printing presses for a considerable time.

(B) At the same time, all national assets and properties, government operated enterprises, including those under the National Resources Commission and former enemy and confiscated properties, should not be put on sale, but be earmarked as reserves against note issues with complete figures fully published for public information. The principal purpose is to strengthen our reserve and to restore the people's confidence in the *fapi*, China's legal tender.

(C) A joint committee, composed of government officials and representatives of the people and other industrial and commercial organizations should be organized by the Ministry of Finance to supervise the note issue and the reserves in the Central Bank of China. This body should be empowered to make periodic inspections and announcements of its findings to the people.

(D) The "Principle of Independence of Note Issue" should be observed from now on. If needed, the National Treasury may seek an overdraft from the Central Bank of China, but repayment must be assured from some definite sources.

If the above suggested steps can be carried out, and are accompanied by the reform of our tax system and tax administration and the immediate

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enforcement of a Property Tax, a Luxury Tax and Direct Taxes, augmented by the collection of more "Soak-the-Rich Taxes" and "Leisure Class Taxes," they will open new sources of revenue to the National Treasury, and will balance the national budget and stabilize prices far more effectively than what is being done by the so-called "Economic Police" today.

My conviction is that the present is not the time to discuss "Currency Reform" which amounts to a fantasy, but what is most needed is "to save the *fapi*," to stabilize our currency, and to restore the people's confidence in it so that those who hold *fapi* will not rush to the market to buy goods in less than five minutes. Such a situation will necessarily cause prices to go up, while the value of *fapi* falls, depreciating not month by month, nor week by week, but almost minute by minute. Under these conditions the worst sufferers are the poor people in the country.

A Self-Help Program Necessary

Part Two of the Plan: It is true that Dr. Wong Wen-hao, President of the Executive Yuan, in his explanation of the Government's measures to combat the inflation, also stressed "making available supplies obtained under the American Aid Program," in addition to other measures such as the sale of materials at the Government's disposal, the issue of stock-shares on state-owned enterprises and the issue of short-term Treasury Notes. But the Premier did not say a word about "stopping" the printing machines. In my opinion, without this he cannot go very far. All these measures which he enumerated have been tried before but without any success. The real reason was that while the Government was trying to recall notes from circulation through the sale of gold which also came from the United States, it went on issuing more for circulation.

But in suggesting a "halt" in the printing of notes, I am fully aware that so long as the civil war lasts, this may be only a theoretical principle which could hardly be put into practice. During war, military expenditures always mount rapidly and the easiest way to meet the needs is to resort to printing money. For this reason, I reach my conclusion that a "Cease Fire" order is the panacea to all China's economic ills. No aid is of greater help to us than our own aid by stopping the present "fratricidal war."

As to the present American Aid, if it is to be a success it *must* be accompanied by a self-help program of our own—a subject I have already discussed before. (See "A Private Citizen's Program for China" in the March 13, 1948 issue of *The Review*, which was intended as an implementation of the "10-point Self-Help Program" formulated under the direction of General Chang Chun, former president of the Executive Yuan, and released for publication on January 28, 1948.) To repeat, the American aid, even if it were a larger amount, still would be only a *palliative*, and the remedy lies in our own self help program.

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THE BURMA ROAD TODAY

Walter Briggs

Wanting, Yunnan, China.

THE Burma Road—or the "China Road," as it is known in Burma—begins 114 miles inside the Burma border at Lashio. Situated on hilly greensward, Lashio, capital of the Northern Shan States, lies at the end of the 605-mile railway from seaport Rangoon.

Formerly most of the road's cargo reached Lashio by train, but now the transhipment occurs at Mandalay, 170 miles away, because the huge Goteik viaduct, damaged by the retreating Japanese, has not yet been repaired.

Once a slumbering village, Lashio came to life 10 years ago like a boom town in America's West. Chinese engineers and hundreds of thousands of peasants had carved, seemingly overnight, the mountain highway linking Burma with Kunming, capital of Yunnan Province. Numerous trucks rolled into Lashio. Warehouses were thrown up. Restaurants and inns appeared. And with this a deluge of men: rough, raucous Chinese, Burmese and Indian drivers; suave Chinese merchants and government officials in linen suits.

In 1938, through 1939, 1940 (except for three monsoon months when Britain, at a low ebb in Europe, obeyed a Japanese demand to close the border), on into 1942, guns and bullets, and plenty of lipstick and whisky, rolled northeast. In April, 1942, the last trucks left Lashio. The Japanese were close behind.

Like many other Burma towns, Lashio today is devastated. It was bombed, strafed, fought over. I couldn't find the Standard-Vacuum Oil Co. bungalow where I once stayed, nor the pretentious Bank of China, nor my favorite Chinese restaurant. But trucks are still there, plenty of them—with cargo for the border where it is transferred to trucks of Chinese registry.

Road Traffic Less

In its pre-Pearl Harbor heyday the road carried about 10,000 tons monthly to Kunming. Now it is averaging 1,500-1,800 tons monthly to the capital, with other tonnage for intermediate points. The cargo chiefly is raw cotton, gasoline, tires and tubes, caustic soda, medicine, dyes, paper.

Taking a public bus, I spent a long day on the trip to the border. A Shan woman and one of Dr. Gordon Seagrave's Burma nurses became ill as the Indian driver whipped around curves, while a bearded Sikh watched bored from a seat atop bags of rice.

When I reached Kyoukok, on the Burma side of the border, I found that a tin-roofed attap hut, restaurant and inn combined, offered the best accommodation. There an English-speaking Chinese who said that he had just fled from China because of political persecution attached himself to me.

In the dusk we stood atop Kyoukok's hill, overlooking Kyoukok River, which my new-found friend said meant "river of seven vales." A small plank-surfaced steel bridge crossed the river. A soldier stood with fixed bayonet in Wanting, on the other side. And beyond rose the mountains of Yunnan—Land of the Southern Clouds, one of China's largest provinces with more than 11,000,000 inhabitants.

With no questions asked from the lone guard we crossed over to eat fried noodles with beef and greens at a dirt-floored Chinese restaurant on the noisy main drag. My friend ate too, and told me how he had been starved for eight months in a Kuomintang prison. Then he paid for the meal of an old Chinese woman with a leathery face who had no money for the rice she was devouring.

I arose early the next morning to get a flying start into China, but the effort turned out to be fruitless. The Chinese Maritime Customs take just as long as when Daniel G. Arnstein, New York trucking and taxicab entrepreneur, recommended to Generalissimo Chiang Kai-shek after investigating the road in 1941 that the government eliminate wasted time and red tape. Frequent police and customs inspections are necessary all along the road. No trucks could pull out of Wanting until afternoon. I hopped into the first one, which was bound for Chefang—only 22 miles away—a snail's start on the 599-mile journey to Kunming.

While waiting I had talked, a casual Chinese friend interpreting, with a cluster of ragged Yunnanese migrant workers. Having labored on Burma's roads—at the equivalent of 43 cents daily—during the dry season, they were returning by truck to their homes several hundred miles up the road. I asked them about China's civil war. There was fighting in China, they knew, but it was very far away. It touched them, they felt, only during the dreaded periodic roundup of conscripts. When told that I was an American, one, gazing at my sunreddened skin, guessed that I must be an American Indian.

Remember Americans

My driver, a Shantung lad, said proudly: "I know Americans. I fight with them. I fight Colonel Brown tank corps, India-side, Burma-side." Then he announced, "I Christian," and broke into "Ave Maria," which he followed with "Home on the Range." Subsequently I found that most of the drivers had worked, in one capacity

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or another, with the United States Army; and regarded this experience nostalgically. Many wore remnants of GI clothing.

The road took immediately to the foothills, then to the mountains—and continued all the way to Kunming without a straight or level mile. An eminent British explorer has estimated that only about one-fifteenth of Yunnan's area is flat land.

Chefang is a grubby little town. I ate Chinese food at the grimy restaurant-hotel, and went to sleep in a cubicle on a bamboo mat to the sound, through the bamboo slats, of the sucking of pipes and the smell of opium fumes from the adjoining room.

Before drawn I left with a good driver in the cab of a good truck which was carrying heavy pipe and coolies. Once we had to stop for repairs. The Chinese driver, as everyone knows, is a mechanical wizard. He can fix anything with string, baling wire or other tidbits. Mine peered under the hood. He removed a battery from his flashlight, then whittled off the crust until only the carbon was left. This he filed down. He disappeared into the motor a moment. Soon we were smoothly on our way.

We stopped occasionally to sip tea or eat rice with adornments at shacks which cater to the men of the road. The Americans who once swarmed up the road had left their mark. "Ting hao (very good)." shouted a woman with bound feet, raising a thumb in salute. "Okay, Joe," said another driver. "Got chew gum?" asked a barefoot little girl.

America also was there in the pipeline, usually following the road but sometimes leaping over hills which our truck had to climb in loops. Once carrying war gasoline from India the hundreds of miles to Kunming, the line, laid by advancing American forces, and frequent pumping stations and reservoirs now tragically were rusting away unused.

The war also was there in the scores of corpses of trucks and sedans which, meeting accidents, breaking down, strafed or bombed, were shoved off the road to make way for other traffic in the hectic rush to escape north during the Japanese advance in 1942. They looked monstrously incongruous sitting overgrown with flowers and weeds in fir and bamboo glades, or propped against the mud walls of the villages. We spent the night at another shabby village.

"Japanese *ping*, bang, bang"

At noon the next day we descended in 25 miles from 7,462 feet above sea level almost a mile downward to 2,788 feet, the level of the turbulent Salween River. The driver pointed to the cliffs, "Chinese *ping* (soldier), Japanese *ping*, bang, bang," where the late General Joseph W. Stilwell's Chinese troops fought back across the Salween in 1944.

The suspension bridge—named *Hwei Tung Chiao*, or Charity Communications Bridge, a Chinese told me, because the neighboring Chi-

nese had contributed their labor to erecting it—seemed like a thread as it crossed high above the brown waters which came from high Tibet and emptied, hundreds of miles below, into the gulf of Martaban at Moulmein in Burma. The climb on the other side was even steeper—to 7,134 feet in only 17 miles.

That evening we strolled among the shops. Burmese rupees were gladly accepted—in fact, they had been the chief medium of exchange coming this far—because of their stability contrasted with the wildly-inflated Chinese currency. Moldy silver coins, seen rarely elsewhere in China, also circulated. Tribespeople in the mountains would have no truck with the new-fangled paper money.

Paoshan's magistrate had given the city plenty of fresh water. This is a crying need in many Chinese cities where water often must be carried long distances. The magistrate had acquired sections of the Burma Road pipe and run them into the hills. The townspeople now could get water from taps linked to the pipe every 50 or 100 yards along the main streets.

Paoshan's 10-foot-thick brick-and-stone wall runs to the crest of a nearby hill. Paoshan means "protective mountain." The hill, rife with temples, was regarded as protection from invaders in the old days. Now it has little utility except to house in the ornate structures above the gates elements of the local garrison which frequently are called upon to go into the mountains to exterminate bandits.

Banditry is serious in Yunnan. One missionary told me of seeing a looted truck further down the Burma Road. Another described a pack train set upon in the mountains. These incidents are local symptoms of the disintegration occurring throughout Nationalist China.

Landslide Delays

I was held up for two days in Paoshan. A mountainside had slid away during a pre-monsoon rainstorm. "Laborers will go to work on it immediately," a Communications Bureau official had told me in Paoshan—and when I eventually pased the spot, peasants were still clawing at the mud and rocks with rude picks and their women were carrying away the excess in bamboo-woven baskets.

They were working just as the hundreds of thousands of conscripts had worked 10 years ago to carve a war supply line over the succession of rugged ranges. In fact, all along the road peasants were widening curves, filling in holes that appeared in the gravel, applying asphalt on the limited paved stretches and repairing bridges with new pitch-covered timbers. It is still an all-weather road. Trucks reach Kunming in rainy season as well as dry.

From Paoshan I took a public bus operated by the Communications Bureau. It was a Dodge truck with wooden bus body accommodating 28

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persons in a squeeze—and there invariably was a squeeze. The voluminous luggage, piled atop the bus, necessitated frequent stops. It seemed constantly to come untied.

Our most honored passenger was a Chinese Army general attired in black swagger coat and swinging a cane. He was accompanied by an attractive woman carrying a plastic handbag who was said to be his wife. With him also was an aide wearing a GI field jacket with a fur collar, goggles attached to his cap and modish sun glasses.

At midday we crossed Kong Ko Chiao, or Success Bridge, spanning the Mekong, the second giant river cutting across the road. The Mekong eventually reaches the South China Sea through Cochina China in French Indo-China. Here it flowed at 4,592 feet above sea level, considerably higher than the neighboring Salween, but the approach was more gradual. Across the bridge, however, the road climbed to 8,200 feet in 14 miles.

I came eventually to Tali, one of the garden spots of China. Beside 30-mile-long Erh Hai Lake, Tali—meaning "good ferry" in the language of the Shans, now inhabitants of northern Burma, who once ruled Yunnan—sits at the base of 14,000 feet Tsang Shan peaks. Snow, stilll visible in May, is collected by industrious tribesmen and, soaked with liquid brown sugar, sold widely in Tali as a native popsickle.

Opium Jitters

In fact, I could have slept an hour longer. Customs officials were searching baggage for opium. Uniquely they touched only that of the poorly-dressed, passing by the possessions of three officials. Despite the government's opium-repression campaign, every village along the road has its opium shop. Too much "squeeze," or bribery, keeps them from closure. Our three officials disappeared at every meal stop for a pipe.

We traveled for many miles adjacent to the roadbed of the contemplated Yunnan-Burma railroad. This was started too late. The Japanese had conquered Burma before it was finished. Now the millions of man-hours of labor, their product, beautiful stone bridges and viaducts, has gone to waste.

Toward dusk we rounded the last bend on the promontory overlooking Kung Yang Hai (lake) and Kunming—the promontory which, rising like a giant breakwind just a few miles from the most famous of the "hump" airfields, claimed many American lives in wartime crashes.

Customs officials once more searched for opium. They ran long skewers through the luggage of the "suspects," again the poorest looking passengers, then smelt them for opium. As usual, they found nothing. We coasted the last few miles, past the fields where we hunted fowl in the war days, past the college that once was the late General Joseph W. Stilwell's Kunming headquarters, finally stopping outside the city wall.

I had been 10 days coming from the Burma border the 599 miles to Yunnan's capital. I had reached the end of the Burma Road.

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Whither Dr. Wong's Cabinet?

Charles J. Canning

DR. Wong Wen-hao's cabinet, which is supposed to be China's first constitutional government, has been in office only a month. It is therefore still much too early to pass any judgment on it. However, the very composition of the cabinet and its policies, together with recent developments in China's internal situation, have combined to throw some interesting light on the cabinet's prospects.

The choice of Dr. Wong as the president of the Executive Yuan at the last minute came more or less as a surprise to the public. But to well-informed political observers, Wong's appointment was not quite unexpected. On the eve of the assumption of office by President Chiang Kai-shek, Mr. Wu Ting-chang, who is generally regarded as the President's closest adviser and brain truster, told the press that in view of the anticipated hot fight for the premiership it would be quite possible that a dark horse would appear.

It was an open secret that from the very beginning President Chiang Kai-shek desired that General Chang Chun remain in office. But many members of the Legislative Yuan did not like Chang. In spite of the strong backing of Chiang, Chang Chun cut a poor figure in a straw ballot held by a representative group of legislators and Kuomintang officials. According to press reports, the failure of General Chang Chun was due to the intensified struggle between the Political Science Group and the CC Clique, the latter of which threw support behind General Ho Ying-chin. But the steady deterioration in the internal situation and the exorbitant "demands" made by General Ho's supporters finally convinced Ho that the premiership was no bed of roses. Friends of Ho made no secret of the fact that the general had turned down the offer of the premiership because he was not free to choose his own ministers to carry out much-needed reforms.

General Ho admitted in a public statement: "Our country has just commenced constitutional rule and reforms are to be expected. I am altogether unprepared to cope with such a gigantic task and especially the difficult economic problems involved, and therefore I do not wish to shoulder such heavy responsibilities, seeing that failure would bring great disappointment to my fellow countrymen."

New Or Old

The final choice then fell upon Dr. Wong Wen-hao. For one thing, he was thought to be the best man to handle American aid. For another, he was generally regarded as a clean, efficient, hard-working administrator, more or less different from the much-disliked bureaucrats. Still another reason was that he was the ideal man to see that the political line-up and the policies of the government be kept intact.

Beginning with the convocation of the National Assembly and continuing down to the eve of Wong's appointment, there was a constant popular cry for reform and new blood in the government. It was generally expected that such reform and such new blood would be included in the new government. But to the bitter disappointment of the public and China's well wishers, Dr. Wong's cabinet is anything but new.

Out of the 15 ministers of the Executive Yuan, 11 held their respective posts in General Chang Chun's Cabinet. The only "new" ministers are Minister of National Defense General Ho Ying-chin, Finance Minister Wang Yun-wu, Food Minister Kwan Chi-yu and Home Minister Pen Chao-hsien. But strictly speaking, they are not new men, either. On the contrary, they have long been in government service. General Ho was minister of war before and during the war. Wang Yun-wu had a bad record when he was minister of economic affairs and later vice president of the Executive Yuan. Kwan Chi-yu and Pen Chao-hsien were vice-ministers of their respective ministries under General Chang Chun. The only "new" man was the vice premier-designate Ku Meng-yu, who never accepted the offer and who was finally replaced by Home Minister Chang Li-sheng.

Press reports indicated that there was profound dissatisfaction in the Legislative Yuan, centering on the line-up of the new cabinet. Inquiries were repeatedly made by legislators as to the standards of choice by which the premier had picked the members of his administration. It was asked: "Why within the vast territory of China and out of the great mass of population are there no other persons qualified to fill the various ministries except those old faces that have served the Government from bad to worse for so many years in the past?" Premier Wong was reported to have been in a very awkward position to find a proper answer to such questions.

So it can be safely said that so far as the composition and the personnel are concerned, Dr. Wong's cabinet is just a continuation of General Chang Chun's government, lock, stock and barrel.

Same Policy

Then let us turn our attention to policy and see whether there is any difference at all.

Presenting his policy statement to the Legislative Yuan on June 11, he

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said that the main task of his government is to suppress the Communist rebellion and expressed the belief that with the implementation of reform measures it would be possible to eliminate the Communist menace within two years. He stressed that the Government is building a base in South China to prosecute the anti-Communist war, saying, "just as the war against Japan was fought from bases in West China the war against the Communists will be continued from south China until all northern regions are recovered."

In the financial and economic field, he disclosed that his government will balance the budget, reform the taxation system, stabilize prices, expand exports, improve industry, agriculture and communications, and carry out agrarian reform. Of particular importance in the premier's statement is that good use of American aid should be made to help speed up China's economic recovery.

One year ago, when General Chang Chun assumed office as premier of the three-party coalition government, the basic items of his policy were to wipe out the Communists and cure the economic ills of the nation by balancing the budget, stabilizing prices and finance, reforming the taxation system and developing industry, agriculture and communication. I read carefully the two statements of policy and simply cannot find any difference in principle. The only difference is that General Chang expressed the hope that foreign aid would be forthcoming, while Dr. Wong was able to say that good use should be made of American aid which is already in the bag. It struck me that General Chang's statement contained concrete measures and sounded more persuasive while Dr. Wong's statement, as charged by some legislators, was "full of propaganda" and spoke in "abstract terms instead of dealing with actual facts." Nobody could argue against balancing the budget, stabilizing prices, reforming the taxation system or developing China's industry and agriculture. The question is not that all these must be done if China is to be saved, but how they are to be accomplished. If General Chang Chun failed in his job, we wonder how Dr. Wong with the same personnel and same policy will be able to succeed under still more unfavorable circumstances.

From what has been said, it is pretty clear that the composition and the policy of Dr. Wong's cabinet remain practically the same as those of General Chang Chun's cabinet. In this connection, it is interesting to read a story from Nanking which quoted a responsible government leader as explaining the reason why President Chiang did not appoint a new man to the premiership was because there would be no change whatever in policy despite the formation of the new government and he wanted to have a man who was well acquainted with this policy to carry on.

Some Differences

What then are the characteristic features of Dr. Wong's cabinet?

First and foremost, it is clear to all that the birth and existence of Wong's cabinet are closely connected with American aid. In seeking confirmation of Dr. Wong's appointment, President Chiang told the Legislative Yuan that "the government is looking to men of his capabilities to shoulder the heavy responsibilities of conducting the military campaign against the Communists on the one hand and of availing itself of the aid extended by the United States on the other." The President held the belief that "as president of the Executive Yuan Dr. Wong will be able to discharge his duties competently and successfully."

At the first meeting of his cabinet, Premier Wong gave a pep talk to his ministers, pointing out that the new government was enjoying a great advantage in the form of American aid and stressing that such aid must be used wisely and effectively to make the country's economic rejuvenation possible. He said among other things: "We should be worthy of other's help. We should use American aid properly for achievement of economic rehabilitation so as not to fail the good intentions of our American friends."

Again, the premier at his first press conference on May 25 said that it will be his duty to see to it that United States aid will be used to the best advantage so that the greatest benefit will be shared by the greatest number of people.

Moreover, in his policy statement made before the Legislative Yuan, the premier once more stressed the importance of American aid and pledged to make profitable use of it to push forward China's economic recovery.

American Reaction

Official circles attached the greatest importance to American reaction to Wong's new cabinet and felt mighty pleased that it had a good reception. Typical of the official mind, the *China Daily Tribune* on May 27 said editorially: "We are glad to note that official and diplomatic reactions in Washington are highly favorable and that there is a concensus in the American capital that he (Wong) will fill the post with credit to himself and to China. It is highly necessary that there should be this confidence in the new Chinese premier on the other side of the Pacific for we are just about to embark here on cooperation with the Americans in the implementation of the United States aid program for China. . . .

"In Shanghai, Wong's appointment was welcomed by American circles because his familiarity with United States methods will be reflected in maintaining good Sino-American relations, particularly at this time when China will depend to the fullest on an efficient administration of the China aid program to help bring to an end the civil war."

In the words of Elder Statesman Yu Yu-jen, president of the Control Yuan, United States aid is a "matter of life and death for China." He emphasized if the ECA China fund is properly administered it will go a long way toward remedying the country's present plight. However, if it is not productively expended it will defer national recovery for a considerable period.

US Aid

It was precisely for this reason that both the Legislative Yuan and the Control Yuan had decided to set up special commissions to supervise the use of American aid. The American Aid Committee of the Legislative Yuan has for its object, "to help and cooperate with the Executive Yuan in handling American assistance." A similar commission of the Control Yuan will "keep a strict check on aid fund accounts and audit expenditure of United States dollars." Under the new constitution, auditing govern-

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ment accounts is one of the Control Yuan's powers.

From what has been said in the foregoing, it can be said that success or failure in the use of US aid and in seeking more aid from the United States will have a great deal to do in determining the fate of Dr. Wong's cabinet.

Partisan Squabbles

Another point of difference lies in that General Chang Chun's government was what was called a three-party coalition, but Wong's cabinet so far is a one-party affair. Because of the outstanding dispute over allocation of seats in the Legislative Yuan, the Young China Party and Democratic Socialists have refused to take part in the new government. It is of course only a question of time until this dispute will be straightened out and the minority parties will take their places in the government. But to political observers, what is significant is that the dispute should have dragged out so long, with both sides refusing to play ball and standing firm. It would appear that both the government and the minority parties have gradually reduced their faith in the three-party coalition. With American aid assured, the government is not particularly worried about the threat of the minority parties to boycott the cabinet. The minority parties on their part, in view of the rapid deterioration in the general situation, thought it better to strike an independent attitude to serve a two-fold purpose: (1) to increase their bargaining power with the government and (2) to whitewash themselves in the eyes of the public by disclaiming any share of responsibility for government decisions and actions.

Whether or not the minority parties will join Wong's cabinet will not affect the composition of the cabinet or its policies. Recent developments in China's home politics have indicated that the minority parties have lost much of what little influence and popularity they wielded and in some quarters they were regarded as more of a liability than an asset. However, their boycotting the new cabinet, which is described as the first constitutional government, has made things rather unpleasant, leaving the public under the impression that for all this nice talk about democracy and termination of the Kuomintang's political tutelage the new government proves to be one-party rule after all.

Worse Shape

Still another point of difference is that Wong Wen-hao's cabinet is in a much worse position than was General Chang Chun's government. This is due to the composition of Wong's cabinet and prevailing political, military and economic conditions. Even the *China Press* which cannot possibly be accused of being anti-government, was quick to point out:

"The nomination of Dr. Wong Wen-hao to the premiership, and his acceptance by the Legislative Yuan, solves one problem: that of the successor to General Chang Chun. But that is about all. For basically the questions facing Dr. Wong are precisely those that brought about the departure of Chang Chun and the unwillingness of other prominent leaders to accept the highest executive post.

"Time and circumstances, coupled with the ability of the men now serving in the government, have made the premiership an increasingly difficult and unwelcome post. Wong Wen-hao stands in an even more difficult position than his predecessor. While Chang Chun tried his best, somehow the sum total of his efforts never came up to those of his predecessors in office during the war years. The dynamicism and practicality of Chang Chun's predecessors were lacking. It remains to be seen whether Premier Wong Wen-hao will be able to come up to the standards of even Chang Chun.

"That the new premier is an honest man will be readily acknowledged. This is certainly something in his favor, for honesty and efficiency are bed fellows in any government. But the honesty of the premier alone cannot always win the day. There must be honesty and

efficiency all along, right down the administrative ladder, from the highest to the lowest. And Dr. Wong is inheriting a bureaucratic structure that has become tainted, and in parts dyed through and through, with questionable practices and inefficiency. . . .

"Dr. Wong Wen-hao, therefore, enters office under circumstances which are neither particularly auspicious nor particularly encouraging. There is still the problem of solving the growing economic depression and halting the disastrous spiral of inflation. There is still the civil war. And there is still the question of popular discontent and apathy in the ranks of the people. Finally, as if all this were not enough, there is division in the government and partisanship in the Legislative Yuan. . . . The road ahead, both for Premier Wong Wen-hao and the nation, will be no easy one. At every turn, at every stage in the struggle for survival, new problems will crop up, new emergencies and crises will have to be faced. Honesty and popularity will be at a premium. But honesty and popularity do not always win the day. Premier Chang Chun had the advantages of powerful backing, yet failed to do more than slow down the process of disintegration. . ."

China's home situation as a whole is now in worse shape than it was a year ago when General Chang Chun took office as premier. This is particularly so in the military and economic fields. Although Dr. Wong's cabinet enjoyed a great advantage in the form of American aid, yet no amount of foreign aid can compensate for the Chinese people's alarming loss of faith.

Acid Test

Dr. Wong's cabinet had hardly been in office for a month when things suddenly took a dramatic turn for the worse, catching the new government by surprise and leaving it seemingly helpless. First, there was the fall of Kaifeng and a general deterioration in the war situation throughout the country. We need only to take into consideration the panic that immediately followed to realize what a blow the new government has received from the recent developments on the Civil War front. True, the capital of Honan has been retaken by government troops. But the fact remains that the dramatic fall of the city into Communist hands without much fighting has greatly undermined public confidence. The reason is not far to seek. Kaifeng was the first provincial capital to fall into the hands of the Chinese Communists.

On the economic front, the simply fantastic and alarming sky-rocketing of commodity prices during the past several weeks has caused a nation-wide panic, which has had no parallel in China's post-war history. In a single week, some commodities jumped more than 100 percent. The increase in rice prices has been all the more astounding and disturbing. People are wondering what the country is coming to. Therefore, it was not without reason that a large group of members of the Shanghai City Council got so mad that they clamored for the dismissal of Finance Minister Wang Yun-wu.

In short, the war situation and the current price problem have put the new cabinet to the test. It was found wanting. The new government did not have much time to prepare itself for this test. Things in this country are moving pretty fast and it is difficult to see how the traditional policy of trying to pull through will continue to work under present circumstances. Only a single month's time has demonstrated the weakness and helplessness of Wong's cabinet.

On the political front, the nation-wide agitation among Chinese students and industrialists against United States policy of building up Japan also has caused the new cabinet much embarrassment. This anti-American agitation, it will be readily seen, is closely connected with China's internal politics. Here, the new government is on the horns of a dilemma. If it ignored this agitation, it would run the risk of offending Uncle Sam who might stop his aid to China. On the other hand, if the new government openly lined up with Uncle Sam on the Japan question, it would open itself to bitter student attacks for "dancing to the American tune" at the expense of China's sovereignty. One is just as bad as the other. It seems to be very difficult for the new government to eat the cake and still have it. Only a tactful and statesmanlike handling of the situation will be able to prevent trouble.

The prospects are anything but bright. However, Dr. Wong deserves our sympathy; for, in the words of the *China Press*, he "has run the risk of personal failure for the sake of the nation." It will be interesting to see whether the nation will benefit after all.

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Intrinsic Values

J. R. Kaim

READING Shanghai company reports one occasionally has the impression that only through all sorts of sacrifices are firms able to carry on at all and only by using their reserves are they in a position to keep losses at a comparatively low level. To answer inquiries from abroad, as this writer has tried to do with regard to the "actual situation" and the "intrinsic value of Shanghai securities," therefore, not only is a difficult job but in many cases, is practically an impossible one.

With inflation continuing and its speed increasing every month, how is it possible to cover one's overhead expenses, to say nothing of paying high salaries? And when high salaries are paid, how is it possible to end a business year with comparatively small losses or to increase one's depreciation reserve?

While it cannot be in the realm of this short review to embark upon extensive studies on the status of individual companies, it may be stated that, generally speaking, losses in substance have been comparatively rare. The most amazing fact in this respect, however, is that some smaller Chinese companies are still carrying on and obviously are making profits although their shares at present are worth, in terms of foreign exchange, hardly 10 percent of their 1947 values. It goes without saying that in such and similar cases the share quotation fails to indicate anything and it almost is a matter of course that somehow the stock has been manipulated.

Occasionally, operators on Shanghai's stock markets have gained both sharply and rapidly. But on the whole, only the most versatile among them actually have seen genuine profits. Before the avalanche which occurred during the second half of June, for instance, local stock quotations used to increase far more slowly than other values. During May 15 and June 15, the most representative Chinese stocks gained between 45 percent and 50 percent and the best known "local foreign" shares between 43 percent and 60 percent. During the same period, however, domestic products gained between 60 percent and 90 percent and imported materials between 80 percent and 135 percent. During the same period the US dollar officially gained about 100 percent and it was evident that the rate (i.e. official rate plus Certificate price) would increase further.

The above comparison shows that investors considered local securities less favorable than commodities.

Companies' Troubles

Usually, local companies explain that their chief troubles are high wages, comparatively small production, the lack of financial safety due to the money inflation as well as limited and expensive raw materials. To those items, real estate firms add that rents are ridiculously cheap and, therefore, incapable of keeping pace with growing expenses.

As to the question of high wages, a frequently made statement must be repeated, namely, that individual local wages are not too high and certainly are far below, for instance, American average wages. What is rendering production expensive is the combined amount in wages to he paid or, in other words, the large number of hands needed for carrying out a certain process of production. Frequently, this is not the fault of the workers but of the

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management, which for one reason or another, fails to purchase and install modern equipment; in other cases it certainly is the simple and undeniable fact that even in almost up-to-date outfits, one needs many hands (or hours) to produce a certain commodity.

The second of the above reasons, limited production, certainly is an undeniable fact at least when supplies for military purposes are not taken into consideration. Since consumption in China itself undoubtedly is far below prewar and exports are either difficult or small, it goes without saying that civilian production remains below prewar.

Little is to be said with regard to the third cause, namely financial safety which during a run-away inflation can hardly be achieved. Still, the situation appears to be less unfavorable than it seems at first glance. For it is a fact, also acknowledged abroad, that company profits have been invested in various enterprises and that foreign firms, unable to remit profits to their respective home countries have invested in real estate.

Loses CN$2,000,000,000

Speaking of real estate it may be mentioned that one of Shanghai's large companies recently declared a loss of more than CNC$2,000,000,000; the same company report stated, however, that in the meantime CNC$1,400,000,000, reserved as outstanding in the presented accounts had been recovered. Now, it is evident that playing with figures in CN currency can help nothing and it is no less obvious that even if the firm had recovered the whole loss, this would not have proved that a loss in substance had been avoided. However, the report also mentions that the firm could re-establish a depreciation reserve on a sinking fund basis and that while its loss amounted to HK$140,214, its depreciation reserve stood at HK$850,438.

It is certain, on the other hand, that quite a few real-estate owners are losing tremendously. When tenants pay for large, modern houses merely the "legal" rent and refuse to pay more, and when such rent amounts to the equivalent of one US dollar or even less per month, no further explanation is needed. To pay the "legal" rent, in such cases, comes near to being theft.

Getting back to the question of production, it is obvious that while up to the end of June it has been the wage earners and salaried men who were to lose through the money inflation—or through rapidly gaining prices, if this expression is preferred—manufacturers themselves may very soon be at a loss over how to make both ends meet. In fact, during the second half of June, retailers occasionally have altered their prices two or three times a day; very soon manufacturers may be obliged to do the same. Even then, they cannot be sure of saving their products.

Under such conditions, any attempt to solve the problem of real value of local enterprises is confronted with tremendous difficulties to which may be added the question, in what terms are the real values to be expressed?

As practically all currencies are inflated and as "hard currencies" are "hard" only in the eyes of the have-nots, many Chinese prefer to calculate in terms of gold. However, the price of gold in China has altered tremendously since VJ-Day.

US$40 In 1947

An ounce of gold was valued around US$40 in 1946, between US$55 and US$60 in 1947 and around US$50 during the first half of this year. Therefore, quite a few Chinese prefer to neglect the cross rate between dollar and gold and calculate in gold without taking its market price into consideration. In other words, their way of thinking is about this: for the amount one has paid for a certain commodity he might have bought 10 gold bars; when selling the same commodity now, he would receive only nine gold bars, thus he has lost one bar.

Such reasoning, however, helps little when intrinsic values are to be established. For it is based on a comparison between two commodities as such and fails to take into

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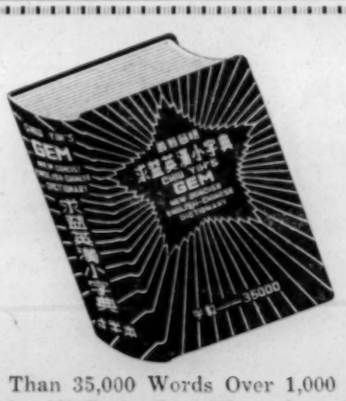

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consideration any of the various consequences of money inflation and managed economy. Furthermore, it reckons with and is based on gold's domestic buying power.

The current argumentation that gold be the only basis for any realistic calculation is illustrated in the following conversation which this writer had with a Chinese financier in May, 1948. That banker refused to accept any calculation on the basis of foreign currency and explained his viewpoint by claiming that neither the official nor the black rates were realistic. The former, he said, are too low, the latter too high; the buying power of the US dollar has declined and continues to decline whereas gold has increased in value. Gold, he said, buys more in China today, than it bought two years ago.

Counter arguments, namely, that the role of gold in world economics is declining, that gold does not buy more today than two years ago but that it is overvalued in China and in many other countries with depreciating currencies—such and other counter arguments made no impression. Gold is not worth as many dollars as are paid for it in China today. Had the holder of gold, bought in China during the past 18 months, reexported his holdings he would have discovered only a few places where he could sell it without loss and still fewer where he might get more money, and that means more commodities, than in China.

There is, it appears, no better way to establish intrinsic values than by comparing the prices of the commodities, securities and real estate in question with the buying power of hard currency, i.e. particularly the US dollar. Calculation in gold—with cross rates mostly unknown—leads to fallacies.

The Week's Business

REVIEWING business developments in Shanghai these days is a somewhat discouraging job. Occasionally, when it looks as if matters are improving a little, it takes fate (or the authorities) only a couple of days to destroy what rays of hope had just appeared.

The week ending Wednesday, June 30, was no exception. For several days, the foodstuff markets were closed. Outside the official market, the price of white rice jumped to around CNC$20,000,000 per picul. Other markets, too were kept closed as economic police were out to supervise business.

Premiums for Export Certificates on Wednesday were quoted at CNC$1,950,000 compared with CNC$360,000 at the beginning of the month. As the basic dollar rates remained unchanged, namely CNC$480,000, importers had paid CNC$840,000 for one import dollar at the beginning of June, but CNC$2,430,000 on June 30. The official import dollar, thus, gained about 177 percent in the course of June.

On June 28, the Export-Import Board announced that during the week ending June 19 the turnover in Exchange Certificates had reached US$3,800,000. This amount refers not to the value of exports during that week but to the amount in Foreign Exchange Certificates handled by appointed banks. Yet the figure may as well indicate the approximate value of legitimate exports during one week. Sceptical businessmen estimate that clandestine exports plus under-valuation of legitimate exports may amount to about the same sum.

Reports from both North and South China last week indicated that tremendous amounts of idle capital had arrived in Peiping and Tientsin on the one hand and in Canton on the other. Due to limited productive activities such funds could find no field of investment, while investing in imported commodities was impossible in consequence of the prevaling import restrictions, would-be investors turned into speculators and, according to a Canton report "rushed for Hongkong dollars even in small amounts of five HK dollars."

Quotations

Stock	June 23 CNC$	June 29 CNC$
Wing On Textile	4,160	5,230
Mayar Silk	6,300	—
Commercial Press	1,480	2,020
Wing On Co.	1,040	1,400
Ewo Cotton	8,400,000	10,500,000
Bond C	520,000	610,000

Commodity	June 23 CNC$ (omit 000)	June 30 CNC$
Wheat Flour	4,280	—
White Rice, first	13,900	—
Peanut Oil	40,500	—
Raw Silk "C"	930,000	1,200,000
Jap. Rayon	732,000	1,052,000
Cot. Yn. (42)	655,000	830,000
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NEWS OF THE WEEK

Nanking Advocates Total War; Dewey Nominated Candidate

GOVERNMENT troops recaptured Kaifeng on the afternoon of June 25. According to *Reuter's*, the Communists were evacuating the city even before the Government reinforcements arrived. It was disclosed that the Communists had quickly looted what was left and made no attempt to defend it against a Government comeback.

Military spokesmen for the Government made no secret of plans for bottling up the Reds in the Kaifeng-Chengchow area for a decisive battle. But it remains to be seen whether the Reds will fall into the nationalist trap.

Foreign neutral observers in Nanking hold the view that both the government and the Communists magnify minor skirmishes into bloody struggles and wage destructive campaigns which leave no signs of destruction and never more than a handful of prisoners despite huge casualty claims. *AP* Correspondent Harold K. Milks reported:

"Government reports told of last-ditch defense by Kaifeng's garrison fighting from strong points while a large portion of the city was in flames. Travelers who flew over Kaifeng on the very day of this reported action were unable to detect the slightest signs of war. There was no smoke and no apparent damage to walls or buildings, there was traffic on Kaifeng's streets and long lines of rolling stock crowded its Lunghai railroad yards, apparently undamaged. Neither inside nor outside the city was there a visible sign of the 16,000 Communist casualties which the government spokesman claimed fell in the attacks. Nor were there any signs of Chen Yi's communist armies, which government reports said numbered more than 140,000 within an area of a few square miles . . .

"The government's quick recovery of Kaifeng was taken as an indication that the Communists likewise shun battles unless all factors, including numbers and position, are in their favor . . ."

* * *

Total War

IN the opinion of observers, the fighting in Central China has become a battle of wheat fields with both sides fighting for control of farm harvests. The primary reason, it is said, for Chen Yi's incursion into western Shantung and his subsequent withdrawal into Honan was to seize whatever wheat his troops could find. It is further pointed out that the Communists south of the Lunghai railroad are more interested in capturing harvested crops than cities, while on the other side the government forces are striking to protect their wheat and other grains from the Reds.

A *Central News* dispatch from Sian quoted Generalissimo Chiang Kai-shek as saying that only total war can defeat the Communists and that military power alone cannot lick the Reds. He explained that total warfare means complete coordination between military, political, economic and social resources and that popular cooperation is necessary for successful execution of total warfare.

In this connection it will be interesting to recall that as early as last November it was reported in the press that the governors of seven provinces in Central China at a joint defense conference held in Nanking had already decided upon a program of total warfare. More than half a year has passed since and government leaders are still talking about total warfare.

* * *

Runaway Inflation

IN a written statement submitted to the Control Yuan in answer to demands for effective action to check the present economic upheaval, Premier Wong Wen-hao stressed that his government is doing everything within its power to combat the prevailing market fluctuations and appealed for public cooperation in stabilizing the chaotic economic situation. He indicated that in attempting to control spiralling prices of commodities the government has taken all possible measures, except stopping the printing presses, to

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curb the currency inflation, which he said, was a fact the government does not seek to deny. However, he hastened to add that with the fighting now intensified on various war fronts, which necessitates increasing military appropriations, it is not possible "for the time being" to halt the note issue. According to Wong, the counter-measures which the government has taken include:

(1) Tightening control of the financial market and preventing financial agencies from indiscriminate issue of money orders;

(2) Enlisting subscriptions for treasury notes as a means of absorbing idle capital;

In Hankow, General Pai Chung-hsi, government commander-in-chief for Central China, frankly admitted that the policy of trying to wipe out the Chinese Communists by force alone has proved a failure. Only by adopting total warfare will it be possible for the government to stamp out Communism in this country.

(3) Dispatching responsible officials to North China to facilitate remittances and also the dumping of materials for sale in North China cities;

(4) Ordering the Ministry of Food to adopt emergency measures to ensure equitable distribution of civilian food supplies, including the purchase of foreign rice stocks for continuing the ration system.

* * *

Businessmen Warned

POLICE and military leaders in Shanghai at a conference on June 28 under the chairmanship of Garrison Commander General Hsuan Ti-wu formulated a six-point program to combat the current economic crisis. The program contained the following:

1) To ration daily necessities;

2) To curb black market dealings in gold and foreign currency;

3) To wipe out speculation and manipulation;

4) To prohibit businessmen from boosting commodity prices;

5) To inspect godowns so as to control supplies;

6) To supervise banks and money shops in order to control the economy.

Military and police leaders said bluntly at the conference: "If businessmen were greedy about money they should not care about their lives. If they wanted to keep their necks they should not be avarious."

* * *

Newsmen Rebuked

GOVERNMENT Spokesman Dr. Hollington Tong was highly displeased at some critical American editorials on China, which, he charged, are creating a "totally misleading picture which, unless corrected, can have a harmful and mischievous influence on the present cordial Sino-American relations." These editorials,

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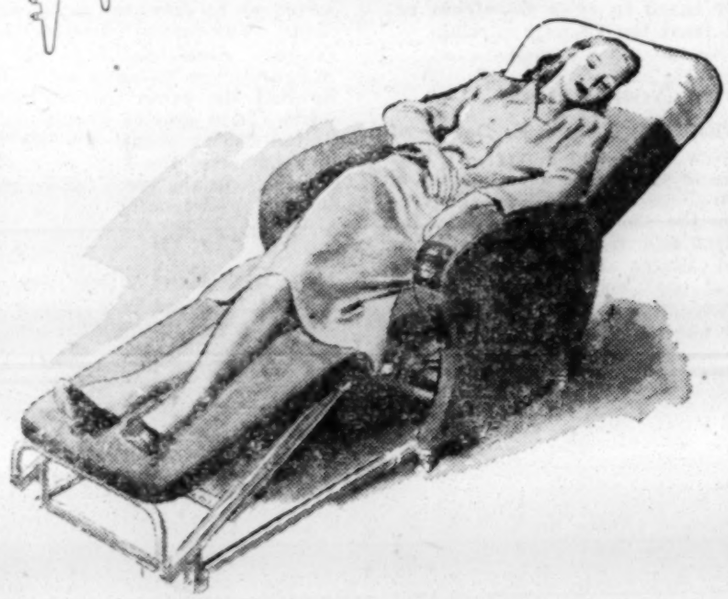

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Dr. Tong said, spread a "false idea that the popular support of the Central Government of China is crumbling." American editors, he continued, "bolster these absurd statements by citing discussions at a recent Legislative Yuan meeting." Tong called these discussions, in which bitter legislators accused both government leaders and officials of corruption and inefficiency, "healthy and constructive contributions to the formulation of government policy."

Great importance has been attached in editorials, he said, to the attack by a single legislator against President Chiang Kai-shek. "Such an interpretation is childish," Dr. Tong opined.

Dr. Tong, however, said that he had no complaint about the handling of such anti-Government reports by American correspondents in Nanking although it was called to his attention that editorials on China are usually based on news dispatches received from the Chinese capital.

* * *

Dewey Nominated

GOVERNOR Thomas E. Dewey of New York and Governor Earl Warren of California were nominated by the Republican national convention as the party's candidates for president and vice-president of the United States in the forthcoming national elections. Dewey accepted the nomination with a promise to "unite our party and our country in meeting the grave challenge of our time." He called upon the Republicans to attack problems besetting the country "with unity, which is above recrimination, above partisanship and above self-interest." Dewey said his party's goal is "a strong and free America in a free world of free men."

Warren's nomination gives the Republicans a ticket composed of two former "racket busting" prosecutors. Warren first gained notice as a district attorney who cleaned up graft and corruption in a large city. Dewey said that if elected he would reorganize the government in Washington in an effort to "bring order out of chaos." He said that in doing this "I am sure Warren can be relieved of his Senate duties sufficiently so he could give a large part of his time to the administration of our government."

Both Dewey and Warren are reported to be favoring more aid to China. The former charged that the Truman Administration had been "niggardly" in financial aid to China. He told the press that to preserve a free China against Communism the United States should provide "military advisers, the kind of materials Chinese officials need, and greater financial assistance.

* * *

Waving Red Flag

WELL-informed observers said that the Republicans are going to play up their fight against Communism between now and election day. There are hard political reasons for this waving of the red flag—apart from the fact that Republican leaders undoubtedly do hate Communism and fear its spread. Reasons are:

(1) It is popular to be anti-Communist and the Republicans intend to cash in on that popular feeling.

(2) It might not do much good to make President Truman the chief target because, the politicians say, very few people who are against him really dislike him—and a strictly anti-Truman campaign might backfire into sympathy for the president.

(3) The Republicans know that to win the election they will have to get the votes of many non-party persons who, since first voting for Franklin D. Roosevelt, have at least vaguely regarded themselves as Democrats. Hence the axe is being wielded at the "New Deal party," with its so-called pinkish leanings.

Along with their strong anti-Red stand, the Republicans will lay claim to "enlightened" liberalism, as opposed to the wholly hot-headed radicalism they attribute to the New Deal.

Truman and other leaders of the Democratic party thought of Dewey as the "toughest" Republican presidential candidate. Truman regarded him as the "hardest to beat" among all Republicans.

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What Chinese Papers Say

FOLLOWING the lively discussion on the American policy aimed at rebuilding Japan, the Chinese press turned its attention last week to the bilateral agreements between the United States and the nations receiving aid from the American Economic Cooperation Program, particularly China.

The discussions stemmed from press reports that the Sino-American Bilateral Agreement which was scheduled to be signed in Nanking on July 3 provides, among other things, a temporary permit to American ships to enter the Yangtze for delivery of aid cargoes at Nanking and Hankow and for loading export goods from these two ports for a specified period.

This reported stipulation caused heated discussions in the Legislative Yuan which, after listening to an appeal by Foreign Minister Wang Shih-chieh, finally authorized the Government to enter into the agreement.

* * *

US-China Agreement

THE *Shang Pao*, a Shanghai Chamber of Commerce organ which is reported to be close to the CC-Clique of the Kuomintang, took the position that China must guard her administrative integrity while accepting economic assistance from the United States. A summary of its editorial said:

"In order to carry out her economic expansion policy, the US is accustomed to demanding, in the name of free trade and equal opportunity, the abolition of all international trade and foreign restrictions and hindrances so that the products of the US, which has enormous productive power, may "monopolize" the whole market. Hence, in America's postwar loan agreements with Britain, France and other nations, there is always the provision that the debtor nation must do all it can to carry out the world trade principles of the US.

In the China aid bill signed by President Truman on April 3 last (Part 4 of the 1948 Foreign Aid Bill), what indicates America's real aim is Section 401 which says, There are no trade hindrances in the vast US market, a fact which has great advantages. The US believes that similar advantages may be brought about in China . . . In order to bring about these "advantages," which will make it possible for US products and US capital to go unhindered in any part of this country, the US proposed in the notes exchanged between China and the US on May 3 last that a bilateral agreement between the two countries be concluded before July 3, 1948, so as to carry out the tasks stipulated in the China aid bill . . .

"Our Legislative Yuan has now approved acceptance of the US aid and has authorized the Government to conclude a bilatural agreement with the US. However, we still hope that when the Legislative Yuan examines the agreement in the future, it will pay special attention to the matter of China's administrative integrity."

* * *

Harsh Conditions

THE *Tung Nan Jih Pao*, commenting on the same subject, but on a broader aspect to cover all ECA nations, claimed "it is unwise and short-sighted for the United States to have presented . . . harsh conditions" in the proposed bilateral agreements. It is significant that the paper is also often identified as a CC-Clique controlled organ.

The editorial pointed out that the bilateral agreements on US aid contain mainly stipulations regarding the obligations which the recipient nations must fulfill. It added: "The purpose of these agreements is two-fold: (1) to ensure that the US aid will be used in the right way, so as to achieve the desired result of helping the different nations recover economically and restore order, and (2) to enable the U.S. to obtain a reasonable price for the aid given to those nations. The US aid will have to come from the purse of the American taxpayer, and the US government is under an obligation to see that the money is not wasted. As to the recipient nations, since they will be receiving money from another nation, they must discharge their obligations. All this is quite reasonable."

The US government, the paper said, however, has presented draft agreements which contain conditions "which are rather harsh, with the result that nations like Britain and France have become uneasy and have asked that these conditions be modified. These harsh conditions include (1) abolition of trade hindrances, such as the British Empire preference, (2) US participation in the work of stabilizing the foreign exchange rates of the different nations, (3) reasonable distribution and regulation of the important resources of the different nations, and (4) agreeing to the US giving priority to the economic recovery of Germany and Japan.

"From the standpoint of the prosperity, peace and security of the world, it is unwise and short-sighted for the US to have presented these excessively harsh conditions, for they will be more than enough to offset the effectiveness of the US aid. These reasons are quite simple. The US aid is designed to help the different nations achieve economic recovery, thereby eliminating social confusion. However, whether the different nations can recover economically and whether social conditions in those countries can be stabilized, depends upon US aid, which is indispensable, as well as the cultivation of the ability of these nations to stand on their own feet and of their national self-respect. Otherwise, the foundation would not be firm and the US aid would be of little use . . ."

* * *

Gap Widening

THE independent *Ta Kung Pao*, which has recently put itself on record as being opposed to American policy in Japan, warned that US aid is widening the gap between Eastern and Western Europe.

A summary of the editorial said: "Hard on the heels of the passage of the US aid appropriations bill, Soviet Russia has called a conference of Eastern European nations now in progress at Warsaw, while US Under Secretary of State Lovett declared the other day that the US is going to confer with the five Western European nations on the question of US participation in the Western European defense pact, with a view to supporting this pact, which is designed to carry out the Vandenberg proposal passed by the US Senate.

"The US Government hopes to support the program of extensive economic, political and military cooperation among these five nations, so that they will become the nucleus of the United States of Europe to be organized in the future. This means that the US wants to strengthen the Western European bloc as opposed to the Eastern European bloc. In other words, having given economic aid to Europe, the US wants to establish a military and political relationship with it.

"Will the Americans be able to achieve this objective soon? Judging by the existing situation in the US, we believe this task is full of difficulties. First, the majority of the American people do not want their Government to assume too great a responsibility for Western Europe and to run too great a risk. Henry A. Wallace's Third Party also will doubtless do its best to attack this action on the part of the Government.

"Secondly, a more basic reason is that the US does not at present have as strong an army and an airforce as she possessed during the war. As to the atomic bomb, it could not be used in a war in Western Europe. Recently a US rear-admiral proposed in the magazine, United Nations World that President Truman and Generalissimo Stalin hold a conference so as to clarify the disputes between the US and Russia and so that the world may regain peace and stability. While, at present when the US Presidential campaign is being enthusiastically carried on, this proposal cannot be carried out, yet if next year the new master of the White House is interested in the proposal and can alleviate with strong determination the major crisis facing the world, it will doubtless make a new impression upon the people of the world. Otherwise, the opportunity will slip quickly and the world will doubtless drift rapidly toward the brink of another world war.

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What US Papers Say

WITH the nomination of Thomas E. Dewey as Republican candidate for the presidency, the Republican Party's domestic and foreign policy stand became a chief subject of editorial comment in the US press. Other matters of interest which were discussed recently included renewed hope of peace in the Philippines and China's policy toward Japan.

* * *

Republican Foreign Policy

US press opinion was in general agreement in its approval of the Republican Party's foreign policy stand. Most papers interpreted the platform as marking the definite decline of isolationist power in the party, and as assuring continuance of the present US bipartisan foreign policy, regardless of the outcome of the forthcoming presidential election. The following comments were typical:

The *Cleveland* (Ohio) *Plain Dealer:* "The foreign policy plank which many had believed would be a source of convention difficulty, if not of serious division, probably says less than some of the more advanced internationalists of the party and the country would have liked. However, ... the platform could very well become the basis of a foreign policy which would strike a fair balance between our international obligations on the one hand, and the restoration and maintenance of a sound domestic economy on the other."

The *St. Louis Globe-Democrat:* "The Republican platform pledges a continuance of America's international cooperation, dedicated to the 'preservation of a free America in a free world of free men,' and declares for 'collective security against aggression.' Along with Governor Green's keynote speech, which definitely was not tinted with isolationism, apprehension is now removed that the 'nationalism' which has been ascendant in the party of late will dominate the convention."

The *Philadelphia Evening Bulletin:* "Friendly firmness, which welcomes cooperation and spurns appeasement, is to be the foundation of Republican foreign policy. Aid 'within the prudent limits of our own economic welfare' is promised to peace-loving nations for their economic recovery and for the preservation of their freedom. This is the basis of present bipartisan cooperation in international policy."

The *Baltimore Evening Sun*, however, joined with several other papers in voicing a warning. Said the *Sun*: "The Republican platform is good enough for a high-minded candidate with strong internationalist views to stand on, but it contains certain phrases which were obviously inserted to propitiate those who do not hold such views. Thus, the final meaning of the document will depend, as is so often the case, upon the way the presidential candidate of the party interprets it during the campaign."

* * *

Philippine Peace

A number of US papers expressed hope that the amnesty proclaimed by President Quirino for the Hukbalahaps (armed peasant rebellion) would lead to real peace in the Philippines. The *Christian Science Monitor* said in part:

"A new hope has broken out in the Philippines. President Quirino's proclamation of amnesty to the rebellious Hukbalahaps has been confirmed by the Philippine Congress. The voluntary surrender of the Huk leader, Luis Taruc, has been followed by a widespread turning over of arms by the peasant rebels, according to early reports.

"There is a case to be made for the Huks. As early as 1931, Governor General Dwight F. Davis warned that an oppressed peasantry is the greatest danger to any country. It was the wretchedness of the peasants under the feudal land system of Central Luzon that nurtured revolt, though it was their valiant guerilla resistance to the Japanese that gave them arms, solidarity, and the techniques of organized insurrection.

"Yet, as in other Asian countries with peasants living under oppressive conditions, men's desire for enough to eat has been turned to dangerous ends by astute leaders. Communist connections of some of the Huk leaders appear to be well established. Huk propaganda has been increasingly turned against American bases and American economic privileges in the Philippines. The Huk rebellion has prevented the Manila Government from proving the sincerity of its promises of land reform . . . Though a certain amount of lawlessness may continue for some time to come in so troubled an area, let us hope that the action of President Quirino and Luis Taruc presages a reign of peace—and reform—in Luzon."

The *Springfield* (Massachusetts) *Union* declared that now "there is a prospect of establishing peace and continuing with a program which includes hydro-electric and irrigation projects . . . If the Huk movement can be stopped and a measure of peace assured in the islands, there is reason to believe that President Quirino can go forward with his predecessor's reform program for all-round improvement of the Philippines."

The *Des Moines* (Iowa) *Register* said the Huk movement could have burst into flame only because the "embittered peasantry" of Central Luzon had been long exploited by landlords—and asked the question: "Taruc's Communists will quit when he gives the word . . . But will his peasant following?"

* * *

China's Japan Policy

THE *New York Times* said, in an editorial dealing with the China-Japan situation, that the bitterness and fear engendered in the Chinese by Japanese aggressiveness is being exploited by both the right and left extremists "in order to whip up popular passions not only against the hated enemy but also against the US . . ."

The paper continued: "Understandable as that development is, it cannot abrogate the inexorable facts of the situation. These facts are that in Japan, as in Germany, we have a vastly overpopulated country (in Japan some 80,000,000 people in a territory smaller than California) who cannot live on the produce of their own soil and must, therefore, live on their industry and export, or die. Yet, due to the policies of the victors, and despite the brilliant political achievements of General MacArthur, Japanese industry is still running at only 30 per cent of the level of 1937, and the manufacturing industries at only 24 per cent, which is far below the levels attained even in Germany. As a result, the Japanese economy is just as sick as the German, and between them they not only impose direct burdens on the United States to the tune of more than a billion dollars a year merely to keep the Japanese and Germans alive, but are also among the principal causes for a world economic situation which requires a multi-billion foreign aid program to keep it from collapse.

"In the case of Germany, interdependence between the victors and the vanquished has been fully recognized in the European recovery program, and France has accepted Germany as a key factor in the plan, even if with reservations regarding her security. Fortunately, the Chinese Government appears to be moving in the same direction regarding Japan. For in the face of anti-American student demonstrations, to which the Communists contribute steam, President Chiang Kai-shek, Premier Wong Wen-hao, Foreign Minister Wang Shih-chieh and Education Minister Chu Chia-hua all made statements to the effect that while China must insist on the complete demilitarization of Japan and safeguards against future rearmament, nevertheless China does not intend to pursue a policy of revenge, but will rather seek to promote a democratic Japan able to earn its livelihood. That is the only way of saving Japan from becoming a hotbed of Communism. There are still differences between China and the United States on the best methods of putting these principles into effect. But given goodwill on both sides, these differences should not prove insuperable."

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The Review's English Lesson—XXXVIII

THIS week we shall devote most of the Lesson to a test. The questions will be based on material you have been given in previous Lessons. Next week we shall print the answers so that you can see how well you answered the questions.

* * *

ARE the following explanations correct:

1. A **soapbox speaker** always talks about politics. True False
2. A **maverick** is always a young calf too young to be branded. True False
3. A **lobbyist** is a person who tries to influence members of a government according to his own interests. True False
4. The term **"water closet"** is commonly used as a term of convenience by Americans. True False
5. A **bum** can describe either a woman of low morals or a lazy man. True False
6. A **sharp operator** is a bad person. True False
7. A **walloping** means a defeat. True False
8. To **hold the line** is a term derived from the sport of boxing. True False
9. A city election can **seesaw** and so can two children when they are playing. True False
10. To **coast** means to descend rapidly. True False

* * *

WHICH of the three alternative answers is the most accurate:

1. **Cocky** means (1) to be alert; (2) to act like a cock; (3) to be very certain or proud of yourself.
2. **In the pink** means (1) very healthy; (2) dressed in pink clothing; (3) having a pink complexion.
3. **On the dole** means (1) on a small income; (2) on free foodstuffs; (3) on government funds.
4. A **straw in the wind** is a (1) reason for success; (2) an advance sign; (3) a necessary move.
5. **Stopgap** means (1) long-term; (2) emergency or short-term; (3) sudden.
6. To **cut loose with** means (1) to do something precipitously; (2) to free; (3) to injure.
7. To **count on** a person means (1) to depend on him; (2) to enumerate him among your enemies; (3) to like a person.
8. A **dark horse** in an election is a (1) known possible candidate for office; (2) an undesirable candidate for office; (3) an unknown possible candidate.
9. A **pin-up girl** is (1) a small-sized female; (2) An unknown, beautiful girl in a picture; (3) an actress.
10. **Playback equipment** is attached to (1) a phonograph record; (2) a movie camera; (3) a radio.

* * *

ARE the following expressions used correctly?

1. The nation looked forward to a period of stability as inflation increased **the rising tide of discontent.** Correct Incorrect
2. The people of the province were in a **state of jitters** as the enemy approached their borders. Correct Incorrect
3. The workers left the factory en masse during the **sit-down strike.** Correct Incorrect
4. The candidate **beat the drum for** public housing, hoping to defeat any plan for it. Correct Incorrect
5. The **man in the street** is only a very small minority. Correct Incorrect
6. The issue, **boiled down** to a single point, meant either war or peace. Correct Incorrect
7. His ideas were **in line with** mine as he angrily disagreed with me. Correct Incorrect
8. The **standing order** affected the actions of the leader temporarily. Correct Incorrect
9. The chairman was **in hot water** as the members of the committee attacked his ideas. Correct Incorrect
10. The politicians **watered down** the housing bill to the point where it was completely ineffective. Correct Incorrect

* * *

FROM the last two issues of the *Review*, June 19th and June 26th, we have taken the following expressions which we print with explanations:

"put his finger on" (page 73, paragraph 2)—located. This expression says briefly what could otherwise be said: He located what he was seeking and pointed it out with his finger (figuratively speaking).

"cross examined" (page 74, paragraph 14)—questioned again after having previously been questioned. The process is often described as "cross examination" when a witness in an American court is questioned after his testimony by those whom he has testified against.

"the business at hand" (page 75, paragraph 7)—the immediate or present business or affairs that should be settled. A person usually keeps his most immediately pressing affairs within easy reaching distance or "at hand."

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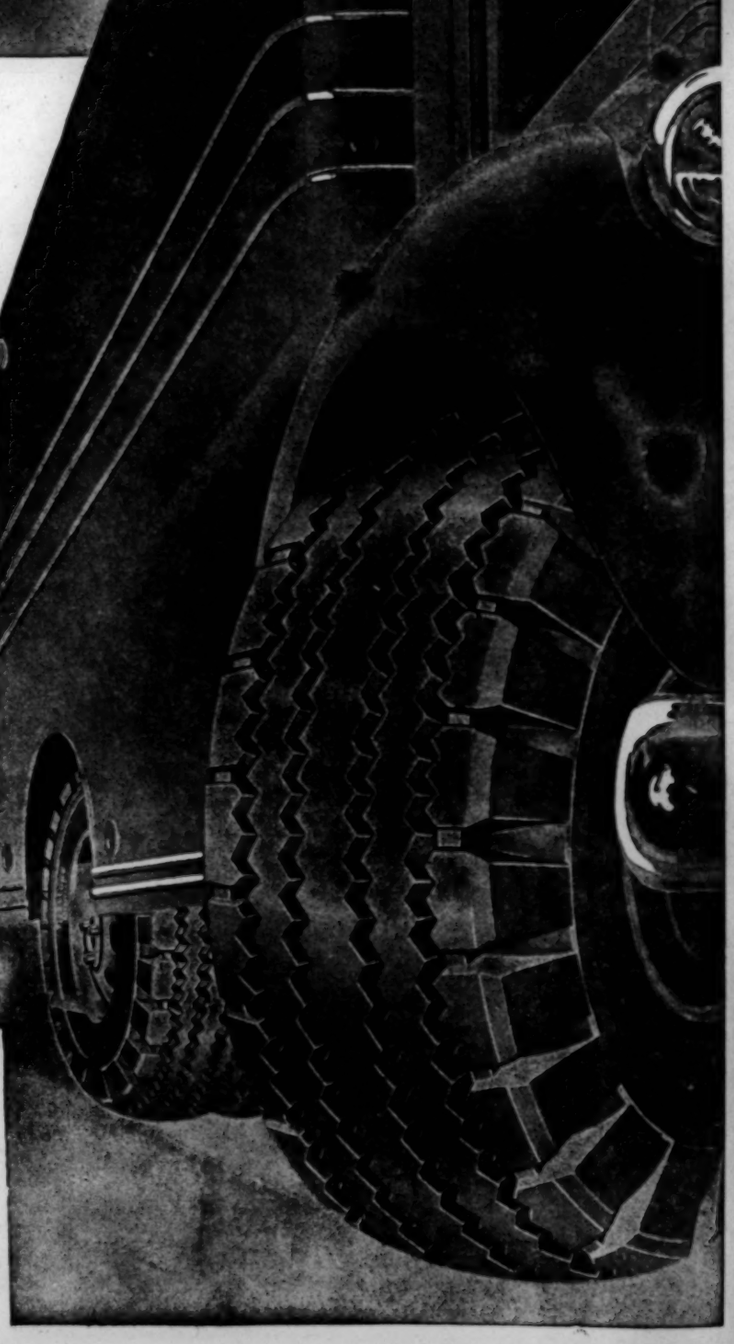

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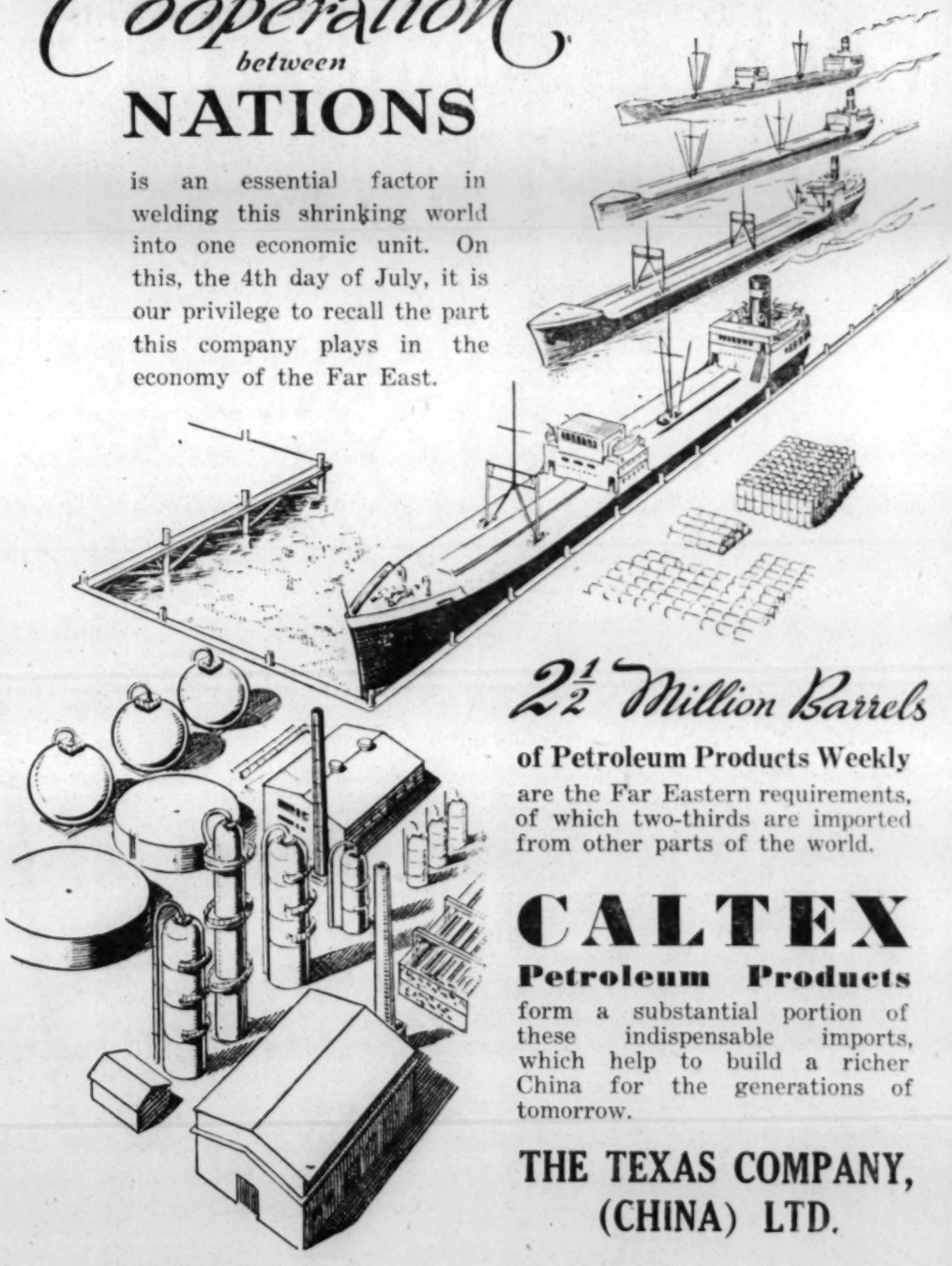

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